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The Future Will Be What Men Think

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WHAT IS THE condition of business now and what is its future? For the longer view, will business be able to move ahead and prosper in the healthy, invigorating economy of private, competitive enterprise? Or will it come more and more under government control and direction, the trashy ideology of socialism, with all of its economic feebleness?

There are no precise answers for questions of the future; and neither statisticians nor psychologists nor other medicine men of the mind have worked out rules for projecting material values and patterns of human behavior into a future that will be, as always, more human than material. Contrite and humble forecasters who tried to reduce man to a statistic, line the political highway stretching back over the past few months.

Yet it is the future that should engage us. The loans we made today, the balance sheet values we tried to appraise, the income we hoped for were all anticipations of the future. But the best that can be done where the future is concerned is to study causes, estimate their force, and guess at their probable outcome.

Business Will Move Down

Proceeding in this manner, and on the question of general business conditions which I shall qualify later, it is a good guess that business will soon move down from the artificially high prosperity level of the war and immediate postwar years. There will be severe adjustments in some lines, less in others, as prices, costs and proportions respond to supply and demand, the two gateways through which all economic forces are brought to bear on general business conditions.

The first reason for believing this is inflated price. The second is inflated credit. There are others, of course, but these are basic. Though the causes seem to mystify some, we all know that in the present state of the nation price and credit are inflated. They have been growing together in the fertile seed bed of inflation that World War II prepared: as prices moved up, goods and property were worth more as a basis for credit, higher loans supported still higher prices, and still higher prices in turn supported new loans. This is the growing factor in the present economy that portends reaction and adjustment.

Consider the growing price structure. War added greatly to our productive capacity as a nation; however, demand has out-paced supply in most lines since war ended. Income has lagged behind prices; and as any freshman in economics knows, markets and effective demand have been narrowed in the process; markets and demand get narrower as prices go up. For the great majority of people there are more dollars on the pay check and in the pay envelope but their dollars buy less food, clothing and shelter; there is less, or nothing, for home appliances, radios, television, and automobiles. These are the extras that give dignity to the American way of life and make living more pleasant. Fixed income groups in the lower range which constitute an important part of total demand have to do on less.

And we should never forget that "demand" is also "desire" to possess. As prices rise, an increasing number who can buy refuse to buy, especially those things that are not immediately needed.

As markets and demand narrow and come into balance with supply, inventories pile up and prices begin to soften. Merchandising strategy is changed; the emphasis shifts from advance buying and speculation to reduction of inventories, to less buying, to greater emphasis on selling and sales promotion. This strategy moves on to the producer and production is reduced. Trends to curtail expansion and new business ventures begin to appear and their contagion spreads. Unemployment and fear of unemployment develop and further narrow demand. A reaction is underway.

Consider the growing credit structure. In the apparently congenial growth of price and credit, the significant fact is that it is only apparent: actually as price and credit grow credit gets progressively weaker. Indebtedness moves up faster than the rate at which sound asset and capital values accumulate on any prudent basis of valuation; prices sooner or later push demand for credit beyond sound loan values, and capital has not grown proportionately with growing credit demands in recent years.

A Reaction is Underway

Progressively the base for credit weakens in particular situations, business by business, industry by industry; one by one, or in many places at the same time, credit is restricted or withdrawn altogether. And to the extent that this happens speculation must stop; trading, business operations, business expansion and new business ventures must be curtailed, for none can go on without financing. A reaction is underway. Thus the growing factor of price and credit in a free economy comes to an

end as all such movements must come to an end; otherwise they would end in total collapse.

The question may arise as to why a review of familiar economic patterns of price and credit inflation is necessary. The answer is that they are the highways we are now traveling toward reaction and adjustment. For those who stop to read there are already legible signposts pointing in that direction: narrowing demands, inventories piling up, prices softening, and credit in particular situations being withdrawn.

Are we being pessimistic in our predictions? Not at all. There may be some cause for pessimism of a kind. A business reaction will not have to be great before it has great meaning to the inefficient, financially weak business; to the inexperienced business without financial stability that has yet to meet the severe test of competition. For many of these survival will be difficult when volume and prices go down: even a small percentage of price, a small percentage of volume, can take a large percentage of profit.

Some Businesses Will Fail

Some will fail. However, a business that cannot meet the test of competition should fail; eliminating the weak and the inefficient is the strengthening process of free, competitive enterprise; the essential fact of its vitality. Pessimistic? If reaction and adjustment can come naturally, now, business would move ahead to a self-sustaining peacetime economy that is bright with possibilities.

But such predictions need important qualifications. Reaction and adjustment must be permitted to come now, and naturally. Adequately free markets must direct the production price and purchase of goods and keep balance among various developing industries. Too much injection of government control and direction into trading operations, by which some official has the power to change prices overnight, will lead to confusion, disorganize channels of trade, and make business planning and profitable operations difficult for many.

Moreover, in a broader qualification we are assuming there will be no heroic and vast spending and giving away programs for any purposes whatsoever by the Federal Government, in disregard of sound economics, in taxation that keeps new equity capital from forming and keeps men of great ability and economic knowledge and investing power timid; public spending that disregards quality of money or quality of credit.

Taxing and spending and propping with government aid could delay reaction and adjustment here and there, but it would come later as a severe depression. And conceivably, should taxing and spending and propping be carried too far, the depression would then come concealed in the gray, mean averages of a highly socialized state, paid for out of lower living standards of all the people.

My thesis is that the future will be what men think, and that therefore more attention should be paid to *what* people think. Exercise more your qualities of thought leadership. Nobody has ever seen a thought; they are intangible; nevertheless the ideas, attitudes and opinions of the people who live in your community and in other communities all over America are shaping our entire future.

Evolutionary socialism as distinguished from the revolutionary kind tells us that "through education socialism can be made manifest to an increasing number of people." And our socialist friends are right; getting over ideas, making anything manifest, is fundamentally a process of education.

The suggestion I shall offer is that we need to make business more manifest to an increasing number of people and to get over to them in a practical down-to-earth way a few simple facts about business and the unique economy we call "American." We do not need classroom education, though it is needed there; rather an informal program of information and interpretation that will reveal to the average man and woman you meet just what business and certain elements in our economy means to them. Someone said to me that economics is not for understanding by the average man and woman. My answer is that if the majority who vote in this country are not economists in their own modest way the future is dark indeed because the major issues for consideration now are more economic than political.

My program is that you are to become "teachers," of groups, of the men and women you meet socially and in business; of those you meet on Main Street. First and foremost teach the national importance of profitable business operations. Misleading men in positions of leadership in government have taught 40 million people in a whole generation derogatory things about the American business system. We read that the President of the United States is "mad at business." But down underneath the President knows, and the majority of our people should know that the hope for our future and for the

world lies in profitable business operations. Trade and commerce is the central force of our society, the single organism on which the nation lives; and this nation nor any other nation can be any stronger than the industry that supports it. Anything else is either culpable economic ignorance or political demagoguery.

Teach profit; and be certain that the average man and woman understands who derives the most benefit from the profit business earns. Academic and intellectual personalities and political orators who sneer at profit do great damage to our productive destiny, which is the only avenue to future progress. And the reason why this is so is not difficult to understand: since the extraction of profit depends upon efficiency and since the pattern of high-profit efficiency rests upon low cost, low price, wider distribution and greater production, clearly it is the search for profits under competitive conditions that results in more things for more people, and more jobs.

The profitless business is a social enemy, a labor tyrant, a destroyer of trade and commerce. A great many in your community no doubt hold the belief that profit goes to the enrichment of big business: a few Chairmen of the Board, Presidents, Vice-Presidents, and stockholders. This is not so. The figures for 1948 are not available, but in 1947 American Corporations actually earned less than they earned in 1929: 6.1 per cent on sales in 1929 and 5.1 per cent in 1947. It is true that there have been large increases in wage rates and in taxes over 1929, but there has been no increase in profits. How much did the stockholders receive? The percentage of profit paid to stockholders in 1947 was the smallest in 19 years.

Teach capital, its economic significance in terms of the average man and woman. You can be certain that numerous people in your community think that capital is money held in the bank by capitalists; or that capital is "Wall Street," some exclusive part of our economy working at odds with "labor," because the air is filled with loose phrases like "the conflict between capital and labor." This is a dangerous public attitude when it finds expression in policies of government that discourage and limit the accumulation of capital.

Contrary to what so many believe, explain that capital is not money; even George Bernard Shaw, who is a socialist in everything except the collection of royalties, recently warned England against capital levies for the reason that, "There is no free fund of capital in the investment sense." For once, at least, he is correct. In the textbook definition, capital is "produced goods devoted to the production of other goods." Put more concretely, capital is the hammer the blacksmith saved money to buy in order to do a better job; the plow, the harvester the farmer owns; the plant and equipment, the tools of production in primary industries and in manufacturing; the capital goods used in transportation and in marketing. Be sure to explain the source of this capital; the average man you meet may not know that he is a capitalist.

Source of Capital is Savings

The single source of capital is saving: the savings of those with a little better-than-average income, a few with large incomes; the savings of millions of people in the form of life insurance policies, annuities, money in the bank: the savings of business, of profits which appear in published reports as "additions to surplus" but which is profit withheld from owners of the business to provide for growth, to be invested in the plant; and the tools of production just mentioned.

Who benefits most from capital investments? Arguments and statistics about ownership of capital are faulty and misleading; they show only permanent, fixed property amounts, leaving out of the calculation entirely the sum of the immense flow of goods and services that broaden the lives and minister to the daily wants of all the people; goods and services that invested capital make possible. The difference, between American standards of living and the proverbial poverty of primitive people, the poverty of the industrially backward people of the world, is capital, plus the initiative, enterprise and leadership to employ it.

Teach price, and teach about the things that make prices go up. Our whole economy is bound together by a system of prices and it is through the adjustment of prices that the productive energies of the country are organized. Yet I am sure there are a number of people in your community without accurate knowledge of fundamental causes back of price movements who go to the polls and support policies in government that measurably influence prices.

Explain to those people that prices must and ultimately do reflect every human and economic force. Every human force, strikes, slow downs, inefficiencies; every economic force: the debasement of currency by methods of devaluation or by fiscal inflation resulting in deficit financing on the part of the Federal Government.

And with our economy ridden by taxes and plans for more taxes, explain that all taxes paid by business are reflected in price: either directly by additions to price, or

indirectly by taking away from the low cost efficient business; the high cost, unprofitable business pays no income tax. These are the funds that would probably be used to increase production and inventories, the antidote for inflation. But so as not to confuse the average man, stick to what business taxes do to price; this can be easily understood.

In estimating reasonable returns on business operations all business tax has to be calculated as a cost, otherwise business could not survive. Various property tax, sales tax, these the average consumer knows are reflected in price; but there is a rather wide misunderstanding about who pays the huge income taxes government is levying against business. Inasmuch as they are a levy on business earnings, many people think they are paid out of business profits. Without getting into the economics of taxation we know that, indirectly, high business tax is coming out of high prices; because while profits are below 1929, as has been said, business profit is good. And I hasten to emphasize and make specific again that there is no other way, if a business is to survive and prosper: business is not being selfish or greedy in passing taxes along in price.

All Business Tax Becomes a Sales Tax

In their ultimate effect, then, all business tax becomes a sales tax which percentage-wise rests upon bread and milk and diamonds and furs alike. It is important, too, that taxes add on at all levels of business; the tax on one product enters into the cost of production of another; before selling price is established shoes contain 126 taxes, milk 78, overalls 148, and gasoline 201.

As a final lesson, I suggest money: teach what money is *not!* Teach the lesson all history teaches about governments that followed false theories of money to economic ruin: ideas that a government can pass out money to people without having to take it from them in some way. Throughout all history this has been a cruel hoax of politicians to fool people who did not think.

Money is not wealth. Wealth is in goods produced, and sound money, noninflationary money, can therefore increase in supply only out of increased production. And except as given in charity there is no sound way to distribute money other than by payment for products, or for wages and services incidental to production and distribution. Money thus used is a facility of trade and commerce; a facility for production the antithesis of inflation. And it is not inflationary because it is retired by the natural course of trade. Conversely, when new money is created by government for financing nonproductive expenditures, the relationship between the needs of trade and the volume of currency is lost; and every dollar of such money is inflationary.

There is no way to keep productive dollars and nonproductive dollars separated in the currency stream; the whole stream is diluted. At a time when plans for enormous spending of nonproductive money by government are going the rounds and getting favorable legislative attention, there is need for a better understanding of money, what it is and what it is not. We should explain its force and potential danger when over a period of time new money is increased in excess of growth in production.

There has been a real growth in our economy since 1940. Estimates show production up 50 per cent, real income up 50 per cent; however, this does not contradict our prediction of reaction and adjustment. There is a considerable amount of artificial growth above the real, and important as a future force in our economy, when a reaction comes the federal government is not going to be able to collect 40 to 45 billion dollars annually in tax, at anything like present rates. Still higher rates would discourage enterprise and dry up the sources of tax; a high tax rate does not necessarily produce high taxes.

What is the potential danger of money? Should federal spending be continued at a level above tax income and result in a progressive increase in public debt, more fiscal inflation to pull currency down, the future would be dark. In his *Second Report on the Public Credit,* Alexander Hamilton said in speaking of a progressively increasing public debt: "It is not easy to conceive of anything more likely than this to lead to great and convulsive revolutions of Empire."

But this will not happen if the majority of those who vote in this country understand what money is, and what it is not!

The future will be what men think. The future of America is the future of the historically basic American economy of private, competitive enterprise that has justified itself by the most splendid material accomplishment the world has ever known. However, that future is safe only if a majority of men and women in this country know, and can think right on principles that run through our economic life, and have the understanding courage to defend them. To help the majority understand is our job. *Let us work at it!* ★★★

How to Interview Credit Customers
(Identification)

CLARENCE E. WOLFINGER, *Credit Manager,* Lit Brothers, Philadelphia, Pa.

TODAY we live in a credit world. Today, credit is a dignified way of buying; it is essential to our way of life. Credit is coming more and more into public acceptance and has outlived the disrespect attached to it in the past, particularly in connection with instalment credit, which has been blamed for deficiencies and calamities of all kinds.

If we are to intelligently appraise the applicant for credit, it is generally required that a complete history be made of the applicant together with any antecedent information that can be obtained. A company which granted life insurance to an applicant without the precautionary physical examination, would not be able to pay its claims and stay in business. The physical examination and antecedent history form an important part of the insurance application and this must be completed and approved before the policy is issued. The higher the amount of the insurance, the more complete the examination.

Factors in a Credit Application

And so it is with consumer credit. Every factor in a credit application has value. Some factors stand for so much that, for example, a name and address may be sufficient background for the arrangement of the account. On the other hand, it may be necessary to have exhaustive information in order to pass safely on the credit application. No two interviews are handled in the same manner; the extent of requisite information differs with each application and with every year. New developments, such as draft status, number and age of dependents, etc., must be followed.

It is the purpose of a credit interview to obtain sufficient information to intelligently open an account. Basic factors to be considered are those which will definitely *identify* the applicant for present and future needs; permit undelayed checking of the application through the Credit Bureau, and result in the credit granter being prepared to service the account for its duration, even to the extent of assuring successful forced collection, if necessary. Further, the interview should introduce the customer to the policies of the store and bring about a clear understanding in relation to the terms. Carelessness in the interview is often the first step toward a collection problem.

The application, to be taken properly, is the job of an experienced, alert, friendly interviewer. This is not a position to be filled by one who is not fully appreciative of the value of favorable customer relations. The information which is required to service intelligently the account *must* be obtained during the interview. In no other way can it be supplied. The interviewer holds the key to better customer acceptance and relations.

The credit interviewer must, therefore, have certain qualifications, among which are tactfulness, and a sound basic knowledge of credit; the ability to spot weaknesses in pertinent information in the application and to deal with such spots in greater detail without causing unfavorable reaction or arousing customer resistance.

When the interview is completed, the credit interviewer should be satisfied that it is only necessary to verify and check through the Credit Bureau, or other occasional sources, the information given in the application. Once the application is taken, seldom should the applicant have to be asked to visit the credit office again for further information, unless investigation has revealed a discrepancy.

When considering the credit application, we should immediately think of our credit bureau. The credit bureau is just as much a part of the application and its processing as we are, and in many cases more so. Credit bureaus do not function independently. They rely on the completeness and correctness of the information furnished by inquiries from members. That means that if the credit bureau is to serve the community to the best advantage, the records must be accurate.

Necessarily, the question of identification begins with that part of the application which deals with the name and address. The name should be correctly spelled and the spelling not taken for granted. For instance, consider the name Baer. It may be spelled Baehr, Bahr, Baier, Bair, Bare, Bayer, Bear, Beare, or Behr. It is important to know the exact spelling, and to print it on the application.

Then the identification of the customer. After correct spelling of the name has been determined, we should be certain of the first name and middle initial of both husband and wife. The applicant may offer personal identification. If not, it should be requested, and noted on the application. It is essential to know whether a "J" in the husband's first name stands for Jacob, James, John, Joseph, Joshua, or Julian. And it is well to know too whether it is John E., or John X. Specific identification of the wife's name is also essential: whether a "J" is for Jane, Janet, Jennifer, Jessica, or any of the many names beginning with the same letter. Coordinating the first names of both husband and wife with the correct spelling of the last name permanently identifies the customer without fear of misfiling or misinterpreting the information. Never resort to initials alone.

Age an Identifying Factor

Age is also an identifying factor. Further, if the applicant is single and particularly if a minor, we should have the full name and address of the parent or guardian. If recently married, the maiden name and former address of the wife are helpful. We should know whether the applicant is single, married, divorced, separated, living apart from family and whether a senior or junior. The name should always be compared with the signature. Also, the signature is a means of identification for cashing checks as well as for the authorization of merchandise.

It is increasingly more important to know the size of the family. Formerly, we asked only for the number

of dependents. Today it is advisable to note the total number in the family unit—parents and dependents. This is essential when comparing income with expense.

Next in importance to the completeness of the name is the correctness of present address. Following are names of streets in Philadelphia which are similar in pronunciation or spelling, and which, if the exact address is not obtained, might cause confusion in delivery of merchandise and mail, as well as in an application for credit.

Alden, Alder, Alter
Augusta, August
Dorset, Dorset Lane
Durand, Durard
Ernest, Ernst
Fraley, Furley
Laurens, Lawrence
Levering, Leverington
Lynbrook, Synford, Lynwood
Marlborough, Mollboro Terrace
Nelson, Neilson
Rosalie, Rosebery
Rosedale, Rosehill
Rose Lane, Roseland
Roselyn, Rosemar
Rosemary, Rosewood
Ruan, Rowan
Stafford, Stratford
Stanton, Stouton
Wellington, Willington

Obviously, Philadelphia is not the only city in which there is likely to be confusion because of duplication or similarity of street names. In the April, 1948, issue of *American* magazine, under "Life's Little Problems," is found the following: "In Fairhaven, Massachusetts, where 16 pairs of streets bear identical or nearly identical names, the latest is that Fire Chief E. G. Spooner often has to play it safe by sending fire apparatus to both streets of the name in question. The crew that arrives at the wrong one turns around and goes to the right street to help out there."

Special attention should be given to securing the proper title of the thoroughfare, such as Street, Avenue, Lane, or Road, because some streets bear the same first name, such as:

Cedar Street, Cedar Avenue
Cedar Lane, Cedar Road,
Cedar Park Avenue
70th Avenue to 79th Avenue
70th Street to 79th Street

Determining the Correctness of Address

Sometimes the difference between a correct and incorrect address is the title of the thoroughfare. The postal guide and street directory are often helpful in determining the correctness of address. When streets are divided directionally, north, south, east or west, such divisions should be made a part of the address. Do not take it for granted that the address is a local one; always ask for the city. The proper zone number is also essential for mail delivery, locally as well as with out-of-town addresses.

We should know whether the applicant lives in a house, in an apartment or in a rented part of the house. With the housing conditions the way they are today, we might be taking an application at a good address and assume that the person occupies the entire property, while in reality, the applicant may only be renting a room there. So when we talk about the name and address, find out more about the address. Addresses designate neighborhoods and should bring to mind a picture of the location of the residence of the applicant.

Know sufficient about your local addresses to be familiar with certain facts about them which must be made a part of the application. For instance, in Delaware County, there is a town called "Springfield." Unless specified as "Springfield," Delaware County, Pennsylvania, the mail will most likely be forwarded in error and returned from a Springfield in the vicinity of Pittsburgh, Pennsylvania.

Street and State Should be Noted

Camden is sufficiently close to Philadelphia to cause confusion, often, with local streets, many of which are similar. Likewise the state should be clearly noted. If abbreviated, it should be in keeping with the abbreviations specified by the Post Office. Pennsylvania is frequently abbreviated Pa., but it may be easily confused with Va. for Virginia, or Ia. for Iowa. The letters R. D. (Rural Delivery) are a part of many addresses. A Post Office box number is not a residence address, but may be a mail delivery address. So secure the street or local address as well. The time to be correct is the time that the application is taken.

As an added means of identification, if possible, get the Social Security number of the applicant or the husband of the applicant, and note it on the application. In the absence of all other identification, the Social Security number may prove the important identifying medium in an incomplete inquiry, and therefore should be made a part of the application.

The length of time at the address given should be obtained, and if the time is less than five years, secure the former addresses over a period of at least that time. Many people are hesitant about giving former addresses. They apparently cannot seem to recall where they previously lived. This does not seem believable but in talking with many applicants, one wonders whether or not the hesitancy is due to unwillingness to reveal the address because of a bad credit experience while there. Customers often purposely omit previous addresses, which have to be filled in by the credit bureau or through some other means, to process properly the account. Securing the length of time at each address may be helpful in preventing omittance of bad account addresses. With the address, the telephone number should also be secured.

The ownership of property may be an asset or a liability. At the present time, many people have been compelled to buy properties at what might be considered inflated prices. Ownership does to some extent suggest stability, but also involves maintenance of fixed charges and creates certain liabilities, such as payment of taxes, maintenance, repairs, fire and public liability insurance. Whether renting or owning the property, the rental charges or payments on the mortgage and taxes are fixed monthly commitments and must be taken into consideration in the appraisal of free income.

(Turn to "Identification," page 29.)

When You Look in the Mirror, What Do You See?

**THEODORE H. SMITH, *Dean*, School of Business Administration,
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EVERY CREDIT MANAGER and every aspirant to such a position has had the three C's of credit drilled into his head. In no manner should the importance of these be minimized, but today the C's essential to successful credit management must be expanded. Creative thinking, Consumer viewpoint, and Cooperation with other departments of the business, particularly the sales department, are essential to the achievement of successful credit management. Yours, like most legitimate business, lives on repeat business: loyalty of the customer, belief in the integrity of the seller, confidence in getting full value, and recognition that the vendor will go the second mile to insure the customer's satisfaction.

Accountants grudgingly value good will as worth one dollar on your balance sheet. The items that the accountant accepts as having value are the bricks and mortar of your building, your inventory, and your equipment. In a sellers' market when the consumer is seeking scarce goods, items which the customer will buy with little regard of price or service, good will is of negligible value; but in a buyers' market your building, the bricks and mortar, your inventory, and your equipment may be of negligible value, and your good will, though listed as only worth one dollar, will very likely spell your success or your failure.

Elbert Hubbard defined what he described as the public conception of an auditor: "The typical auditor is a man past middle age, spare, wrinkled, intelligent, cold, passive, noncommittal, with eyes like a codfish; polite in contact, but at the same time unresponsive, a clam, and damnably composed as a concrete post or a plaster of Paris cast; a petrification with a heart of feldspar, and without charm of the friendly germ; minus passion, or a sense of humor. Happily they never reproduce and all of them finally go to Hell". This definition frequently is as applicable to some credit managers who also may be without imagination and perform as clerks rather than business creators. Are you using your position to build a business, or do you approach your job from the point of view that your sole responsibility is to plug up the rat holes to prevent losses?

Personal experiences frequently are more pointed than theoretical reasoning. Several years ago I moved to another city. I selected three stores where I anticipated doing business, visited the credit departments, and requested the privilege of opening a charge account. Within ten days I received letters from all three stores. Two letters welcomed me to the city and extended me a charge account, inviting me to use the services of the store. The third letter came from an unimaginative credit man; grudgingly he extended the charge account, and the key idea expressed in his letter was, yes, we'll let you have a charge account, but remember your bill is due at the first of the month and must be paid by the tenth of the month. Though I continued to live in that city for three years, I never purchased any merchandise from that store during the entire period. My attitude was this: if the credit manager would not take time to analyze my past record and ascertain that it was good, why should I bother to patronize this store? Remember, we are rapidly passing from a sellers' market to a buyers' market. It is important to you to know whether your store patron dislikes, tolerates, or really likes you.

A constant danger of conflict exists between credit managers and sales people. Credit managers rightly complain about many sales practices, and salesmen bitterly describe the credit manager as unreasonably refusing at times to buy a five dollar bill for a one dollar bill. Most of this dissatisfaction results from a complete lack of understanding on both sides. A joint responsibility exists, but few catch its full significance. Frequent joint meetings help to bring understanding. The buyers' market may be around the corner. Let us build for understanding before the going gets tough.

Two Classifications of Credit Managers

There are two classifications of credit managers. Those who have succeeded possess to a considerable degree the following five C's, and the Top Drawer Credit Manager is a:

1. *Creator;* develops good will, and new business.
2. *Champion;* of the store, and his credit force.
3. *Captain;* a leader in developing a winning spirit.
4. *Cooperator;* a sympathetic and helpful student of the entire business.
5. *Conciliator;* and a diplomat who gains good will and still insists on fair play on the part of the customer.

Those who have not achieved success can largely attribute their failure to the following five C's, and the Bottom Drawer Credit Manager is a:

1. *Cadaver;* he is dead on his feet and has not had a new idea for years.
2. *Clerk;* a dray horse without a spark of imagination.
3. *Cynic;* human nature is bad; no one is honest until he proves himself so.
4. *Crawler;* a spineless individual, coasting with the business; unwilling to take a stand or to meet an irate customer, but lets his secretary "take the rap."
5. *Calamity howler;* everything is wrong and most of all he is not properly appreciated.

As you well know, one of the major causes of business failure has been poor control of credit. The reverse is also true: a well planned and organized credit department frequently has spelled the success of a firm, and has won that firm many customers. Credit managers should in many cases sit with management, but to gain this desirable place as a policy-maker they must act and perform as business creators.

To warrant this respect and to be placed in the top drawer of management, the credit manager should include the following ten C's in his over-all planning:

1. *Chart* your course not only for today, but also for tomorrow.
2. *Counsel* with your accounts; study their needs; get their side of the picture.

Please, Mr. Credit Manager

GLENN B. SANBERG, Credit Service Inc., Minneapolis, Minnesota

AS ONE philosopher expresses it, "Little sins are the pioneers of destruction." True it is, whether in business, leisure, or just plain everyday life, the piling up of little sins seems to do a good job of paving the "road of good intentions."

We in the collection business might also add that the sinning is not all on one side of the fence. True, the members of the collection profession have been the recipients of a lot of justifiable criticism, but by no stretch of the imagination is the indignation one-sided. Let's take a look, Mr. Credit Manager, at the other fellow's problem—take our hair down, so to speak.

Remember, Mr. Credit Manager, that account you sent in for "immediate collection" a few weeks ago? "Garnish pronto," you said. We did. Yes Sir, we did. We spent over $5.00 in costs, detoured a process server four miles on his way home to supper, tied up a secretary for half an hour making up the papers, and otherwise turned the office upside down in a rush act to serve a client. You know what happened? Joe Bloke did not work for Amalgamated Linoleum any more. He quit last month. The address you furnished was no good; two years old; and we had to pay extra mileage fees to obtain the right residence location. Please, Mr. Credit Manager, don't ask for "immediate garnishment" unless you have the facts straight! Say you *think* he works at Amalgamated; and for goodness' sake, keep your address records closer than two years!

We Want More Information

Another thing, Mr. Manager; give us all the pertinent information you can when you refer that account. If you know, for instance, that Mary's father works for the Street Car Company, tell us so. If she was a minor, and through an oversight in your office, you neglected to note that fact until it was too late, tell us! We think you a lot smarter to admit an error, than to have us find it out later by a process of investigation. Believe it or not, we have had bankruptcy cases come to light on accounts which were referred to us in the desperate hope that a scare-letter from our office would reinstate the account. Complaints are covered up, or not mentioned, previous collection attempts by attorneys or other agencies are kept strangely secret, payment dates are not included, or dates are intentionally changed to bring within the statute of limitation; all these and many more crop out occasionally to make the agency swear off your credit business!

Fortunately, the above sins are not the rule. They are the exception. Most credit managers are human, real, honest-to-goodness people, who give the collection agency every chance to make good on the recovery. Most managers (the most successful, by the way) schedule an aging chart on accounts, and refer them for collection before they have whiskers down to the kneecaps. Most credit executives realize the value of a good agency connection, and treat the institution with respect and cooperation.

How to Evaluate a Credit Man

I could make a wager without fear of losing my shirt, that most of us in the collection side of the pasture, can evaluate down to a gnat's eyebrow the I. Q. of a credit man by the manner in which he handles his referred accounts. The sloppy credit man invariably has more credit losses. His accounts do not bear information notations of status changes, and it is *he* who pulls the little sly tricks of subterfuge in an attempt to cover up his own bad management ability.

I am convinced that if more credit people would take reasonable pride in the completeness of information included with a referred account, the costs of collection which seem to plague our profession, could thereby be reduced considerably. We would all make more money, then.

Please, Mr. Credit Manager, won't you give us, on this side of the fence, a better break? Don't expect the impossible, but help us to make the improbable, possible. Give us the facts, and then if we cannot produce, the chances are your guess was wrong to begin with, and the P. & L. column is the answer.

If any of our clients are listening in, we weren't talking about you back there, when we mentioned the "little sins" which pioneer Hell. *You* make life a Heaven for us, honest! ★★★

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3. *Correspondence;* do everything in your power to humanize it. Make it ring with friendliness and sincerity.
4. *Cooperate* with the sales department and carefully study the sales department's problems; develop cooperation and good will.
5. *Centralize* authority; establish sound credit procedures and stick with them. Do not deviate from day to day.
6. *Control* your credit granting through cost analysis; know what the percentage loss is in your business, remember a credit man is not only interested in cutting losses, but increasing profitable sales volume.
7. *Comprehension* of your competitors' credit policies; follow sound procedures regardless of competitive practices. Many a good business has followed a Pied Piper leading to failure.
8. *Collect* Credit Data; keep accurate records; be an intelligent interpreter.
9. *Credit Bureaus;* cooperate with them, pool your experiences, profit from the experiences of others.
10. *Create* new business through careful planning and by best utilizing your resources.

Remember that your business, the free enterprise system, can only persist if businessmen, including credit managers, remain alert, progressive, and most important, creative. Tomorrow morning when you look in the mirror, look yourself in the eye and ask this question: Am I a creator? ★★★

Credit and the Law of Libel

DAVID B. ZOOB, Zoob and Matz, Philadelphia, Pennsylvania

IT WAS MY PRIVILEGE, recently, to address the Philadelphia Retail Credit Managers Association on the subject of the law of libel in its relationship to the work of the credit man. The discussion was limited to a general inspection of the law of libel as it relates to the sending of telegrams, letters and post cards. As in every other branch of law, I am certain that much that was said was unsatisfactory since what the public really wants when the advice of a lawyer is sought is a direct answer. As is true of every other legal problem, there are many possible situations with just as many possible answers, each one affected by the particular facts of the situation. There can be no hard and inflexible rule laid down as a formula in law. The point at which one's conduct becomes the basis for legal action cannot be indicated with certainty on any graph, nor can we have any black and white standards to which we can refer for guidance. This problem is one for the application of a few general legal observations and a lot of good common sense and practical experience.

Definition of Libel

Generally speaking, to libel someone consists of writing defamatory statements under conditions where they are seen by a third party. (Slander is practically the same, except that it refers to an oral or spoken statement). It need not be a direct statement in that it may defame someone not in direct words, but by the meaning or even by the inuendo of the particular writing involved. It may not seem to be the type of statement which would involve one in the responsibility for damages, because it may be true; or because it may not have been uttered or written for the purpose of injuring the one to whom it is addressed.

Consider how the problem of the law of libel may effect the credit man, if he writes a letter to a past-due account and states in it that Mr. Jones could pay this account if he wanted to, but that obviously he is trying to get away with non-payment, and that the XYZ Corporation which the credit man represents is not going to tolerate such tactics. We have a real question before us in some instances. For example, suppose the letter is misdelivered by the mailman or misaddressed by the sender and as a result the letter is read by someone other than to whom it was addressed. The general law of a majority of our states would hold this to be a libellous statement under these circumstances.

One of our authoritative legal digests says: "Where the language employed may be construed as tending to impeach one's reputation for integrity and fair dealing, a publication is libellous per se which imputes an unwillingness or refusal to pay just debts. . . ."

This is not to say that the credit man cannot write that a debt is owed or that a debt is long overdue, but as stated in a recent case, these statements may not "impute dishonesty or other vile motive to the debtor in communication with third persons." What will impute dishonesty or impeach "one's reputation for integrity or fair dealings" obviously cannot be flatly defined. A credit man must look at the facts of each particular case. The legal language used to state these propositions can serve him as a guidepost and no more.

But regardless of the care used in writing the debtor, there is no reason to court disaster or to risk liability by unnecessarily communicating these statements to third parties. If the statement is sent in a sealed letter, there is little likelihood that it will be opened by a third party or be delivered to the wrong address; but writing such statements on an open post card or sending such statements in a telegram is taking a risk that, in my opinion, is not justified by the possible advantages.

The delivery of a written message containing a libellous statement to the clerk of a telegraph company is in itself such publication of the fact of the statement as to make the sender liable. See Morrison vs. Lathrop, 96 Wisc. 386; 24 A.L.R. 243; 46 A.L.R. 562.

The telegram need never be sent. All the factors necessary for a law suit against the credit man are present when he delivers his message to the clerk of the telegraph company. When the telegraph company sends the message to another of its offices for delivery, it may be held to be guilty of the same offense. This does not relieve the original author of the message. Both parties might be responsible to the libelled debtor. There are at least two views as to the fact of mailing defamatory statements on a post card. Most cases presume that the card is read by the clerks who handle it or by someone before delivery to the debtor. See McKeel vs. Latham, 202 N.C. 318; Steel vs. Edwards, 15 Ohio Cir. Ct. 52; Continental National Bank vs. Bowdie, 92 Tenn. 723; and Spence vs. Burk, 18 Lanc. Law Review, 251 (Pa.).

Post Cards Read by Third Person

It is obvious that such presumption would be almost impossible to disprove. You cannot show that postal employees as a matter of course handle post cards without glancing at their contents. We know to the contrary that such indifference is against human nature. Some State Courts insist, however, that the plaintiff prove that the card was read by a postal clerk or a third person. See Meutze vs. Tuteurs, 77 Wisc. 236. That might well be a difficult matter under some circumstances. The same reasoning that holds that the information on post cards is bound to be read by third parties has been applied where envelopes have such information on their covers as "Bad Debt Collection Agency"; and such envelopes have been the basis for recoveries in libel suits. I think that this type of decision goes too far but it is a hazard to be faced in some localities.

A question which would naturally arise in considering the problem of libellous collection matter would be whether or not the retailer would be liable if the wrongful act were done by a collection company to whom he had given the matter for a routine collection. It is established that persons not personally interfering in or directing the manner of work but employing a third party to do it, are not responsible for a wrongful act in the performance of that work so long as the work basically is

(Turn to "Law of Libel," page 29.)

Work Simplification in the Credit Office

W. J. TATE, *Credit Manager*, Bryson Graham Ltd., Ottawa, Ontario, Canada

CREDIT MEN, wake up! Industry has long used the services of production engineers and efficiency experts to improve production and simplify operations, with the results that remarkable strides have been made; but what of the operations of the credit office, which, with few exceptions, is being run today much the same as it was ten or fifteen years ago? Any small improvement in operations which has been accomplished is principally in the machine field, and the thanks go to the equipment people for the research. Our costs of operation have climbed as well during the war and postwar periods, due to increased salaries and decreased efficiency, until today some action *must* be taken. This is why we urgently need to apply work simplification. It is now the only answer.

What is work simplification? Just what the words imply: simplifying your work and the work for which you are responsible by doing only the things necessary to get the job done. It is surprising how many credit systems are cluttered with endless details which were designed to cover loopholes seldom taken advantage of, instead of using a simplified system for the masses and working on fraudulent cases individually. In many instances the cost of these elaborate systems and the staff required to operate them is far in excess of the losses they were intended to curtail.

What is required in work simplification?

1. To eliminate all unnecessary detail.
2. To combine steps wherever possible so as to reduce handling and travel time between operations.
3. To rearrange the sequence of operations, if necessary, to avoid rehandling.
4. To improve the ways of doing the necessary things.

You will probably find that many of your jobs seem complicated until you take them apart and realize how simple each part is in itself. Each function of a clerical operation can be made less detailed when we analyse it and find out how it operates. If we question the operations and ask ourselves why we do them we will accomplish at least two objectives.

1. We will find those things that can be improved.
2. We will find more features of our work that are interesting.

How are you going to tackle this job? In the smaller office you could start by writing a detailed description of each step in the operations of the credit department, while in the larger office you may want to start with the bottlenecks: the jobs that are hardest to get done. But whether it be on the complete operation or only on a particular section of the work, write down what is happening under present conditions so that nothing will be overlooked. It may be that even in this first step useless operations that could be entirely eliminated, will show up; or improved methods of doing the job occur to you. In fact, the mere analysis of the work may bring out things that will amaze you. So break down the operations or simplify the problem by reducing it to a number of smaller problems and then consider how you can do away with the unnecessary steps and thus try to eliminate the problems.

Remember that you must tackle this job with a questioning mind for each step must be subjected to the following enquiry:

1. Can the operations or part of them be eliminated or substituted? This usually results in the greatest savings, particularly if you can do away with the step all together.
2. Can separate operations or parts of them be combined?
3. Can the operation sequence be changed to advantage?
4. Can the operations or parts thereof be simplified?

Do not forget that the people on the job can be of the most help to you. They will probably see weaknesses in the present procedure that have never occurred to you. Take them into your confidence by showing them that every improvement will help to make their work more pleasant; for if you can eliminate some cumbersome detail they *will* be happier about their work.

Having prepared this job description you can make up a flow chart or process chart to show the process graphically for easy visualization. This is simply a listing of the steps that make up the particular operations, showing them in the order in which they occur. This is usually done with the use of symbols such as the following:

l operations covering the actual doing of the work and time required.

M transportation required in passing the work along, sending it from one place to another.

T or P storage (temporary or permanent) holding of work for future action or filing.

A study of this chart will show you the one best way to get the work done. Bear in mind that the first type of operation referred to above is actually the only productive one, as it is then that things are being ac-

complished, while the other steps are nonproductive. Attention should therefore be directed toward keeping these latter steps to an absolute minimum.

Accompanying this chart should be a flow diagram or floor layout plan to show where the work is performed, with desks, files and equipment in their proper places. A study can be made to see that the work moves forward continuously from one desk or department to another in proper sequence and with a minimum of distance to travel. This may show that a rearrangement of desks would shorten the flow, or that a file or other piece of equipment should be placed nearer to the person who uses it.

After you have gone through these various steps you are now ready to work out a method. Write it down, step by step, again keeping in mind the actual operation; and then experiment if possible, by trying it on a small section of the work as an impartial sort of test. This suggestion is offered because not all theoretical operations work out practically; and the "bugs" may thus be taken out of them before spending a great deal of time and money in making an over-all changeover.

There are questions that might be considered: Do you permit your customers applying for credit to fill out their own applications, thereby enabling one interviewer to handle two or three customers at the same time? Try it, and you will be surprised at the completeness of the applications.

Do you photograph your applications and credit reports and thus eliminate transfer of information to ledger card or bulky records? Have you considered an automatic collection follow-up by adding a fold-over portion at the top of your collection letters to carbonize the name and address when the letter is typed, this portion then being detached and placed in a tickler file to come up for review later?

You may agree that work simplification is a fine idea, but you are too busy to devote any time to a study of your own office. It is true that credit men are too rushed to have spare time. But a solution to this problem was offered by Ken Willett, President of the National Office Management Association, when he spoke at their convention in Niagara Falls last September. He suggested that a note be kept of the incoming and outgoing calls, the caller's name, and the subject discussed; of the employees who come to your desk and their reasons for coming; and of any other work that crosses your desk.

After keeping notes for a week or two, analyze the record. Are the same section heads coming back many times a day because they have not been trained or given the responsibility to do their jobs? The next time they face a problem ask them what they would do. They have likely thought it through before coming to you, and probably have the proper solution. After telling them they are correct, or making suggestions, they will gain added confidence and will call less frequently. Is part of the work crossing your desk merely routine that you should have trained your assistant to do? Take the time to properly instruct him, then after two weeks you will find you have sufficient spare time to devote to this study of your office.

The first work simplification in an office should be put into effect in your own job as Credit Manager, on your own desk; *try it.* ★★★

25 YEARS AGO *in the* CREDIT WORLD

Feature articles in the February, 1924, Credit World testify to the fact that credit problems were much the same 25 years ago as they are today. The responsibilities of the credit man, accuracy in the credit interview, and the question of consumer education were considered then as now.

★ ★ ★

"Requirements, Resources, and Responsibilities of a Credit Man" was the topic of an article by G. C. Driver, past president of N. R. C. A., and now retired credit manager of the May Company, Cleveland, Ohio. He stressed the importance of establishing good will, as against the need for alertness. "If there is one thing that is necessary," he stated, "it is the ability of the credit man to perceive and analyze."

★ ★ ★

An article by B. A. Beeler, Chicago, Illinois, described an indexing system for credit record filing, under the title, "Credit Authorization at a Glance." The inauguration of the visible files of that era may have been a forerunner of the visible filing systems used today.

★ ★ ★

A radio talk on "Pay Your Bills Promptly," by H. Nelson Street, was the subject of a feature article in The CREDIT WORLD of a quarter-century past. Consumer education was Mr. Street's thesis; and in pointing out that the physician and the dentist, as well as the retail merchant, were credit granters, he also appealed to the personal integrity and civic pride of his readers in urging them to cultivate the habit of paying all of their bills promptly.

★ ★ ★

"Science versus Mediaevalism," a lecture on psychology by C. E. Willis, Pittsburgh, Pa., was a two-page article concerning judgment as an asset to the credit executive. "A credit man should be as scientific as possible," asserted Mr. Willis; he should not depend upon the intuitive method of character analysis, nor permit himself to be influenced by personal prejudices.

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"Just What Is the Department of Commerce Doing?" was contributed by Irving S. Paull, Chief of Domestic Commerce Division, Department of Commerce, "Automobiles and Credits," by Frederick M. Zimmermann of New York; and the issue also contained Local Association News; an Abstract of the Financial Report of the previous year's business; and "The Story of John McCall," a detailed narrative by F. W. Cook of Warren, Ohio, on the methods of professional defaulters.

A. H. Hert

What Is the Most Important Cr

Opinions of Management

Regarding my opinion of the 1949 credit problem, I am not at all in favor of Regulation W, but I do feel that the psychological effect on the consumers has been a valuable aid in educating them to the importance of a good credit standing. To continue this education through cooperation with high schools and colleges, to teach the students the value of good credit and the manner in which their credit is developed, should be our most important credit problem for 1949.—C. Blair, Controller, Braley & Graham, Portland, Ore.

★ ★ ★

The major credit problem for 1949 appears to be a definite slowing up of collections, a condition caused by less spendable income, due to less overtime pay and an increase in layoffs in many areas. It may be also that Regulation W is affecting open charge accounts, as installment sales have not dropped in percentage as much as open charge accounts have increased. This switch in credit may tend toward slower collections on open accounts. We believe that collection on open accounts will be definitely the principal headache for 1949.—T. J. Foster, Treasurer, George C. Shaw Co., Portland, Maine.

★ ★ ★

The most important problem confronting the retail credit granter in 1949 is basic and general; that of consumer education conducted with candor and a genuine regard for the customers' interests. A constructive explanation of the value of good consumer credit, its purpose as a retail service, and the important place of instalment credit in our economy will be effective in limiting and largely eliminating overbuying. A sound customer relations program involving adequate and accurate information on the retailers' selling and credit policies, will build customer good will, and will also limit the possible extension of concerted buyers' resistance to prices, which may be injurious to the retail business. To the public, the business is the employee or officer who contacts the people. A successful public relations policy therefore, requires courteous and efficient salespeople, and in our profession places emphasis on continuous training in credit policies, practices, and procedures, and our responsibilities to the employer and the public.—O. W. Frieberg, Assistant Vice-President, American Trust Co., San Francisco, Calif.

★ ★ ★

One of the most important problems facing management and credit executives is the "competitive credit" that has become dominant in the last year or two. Regulation W does control some items but there are many soft goods items such as ready-to-wear, cosmetics, shoes, etc., that are not listed. Whether or not it is sound practice to maintain or increase volume by extending loose terms such as nothing down and six to twelve months to pay on these soft goods, is a question. Competition is forcing more and more lenient terms. It is doubtful whether our economy can afford this.—Barry Goldwater, Goldwaters, Phoenix, Arizona.

★ ★ ★

The most important credit problem for 1949 is the importance of credit education, both of store personnel and of the consumer. If store personnel know how to grant, and the consumer how to use credit properly, most of our other credit problems will disappear. This educational process is "easier said than done." Only through close cooperative effort between the N. R. C. A., the local credit bureaus, and the stores can it be accomplished.—Gerald D. Grosner, President, Grosner, Washington, D. C.

★ ★ ★

The most important retail credit problem confronting the credit granter during 1949 will be twofold: first, maintaining collection percentages in a market which has already shown a tendency to slow up collections. Second, careful analyzation of the expense picture, to find ways and means of doing the job more efficiently; and to find better ways and means to streamline the operations in our credit department. —Moses S. Hecht, Chairman of the Board, The Hecht Co., Baltimore, Md.

★ ★ ★

The most important problem for credit executives in 1949 will be adjusting our methods of credit sales promotion and collections to the fast reducing consumer income. We must smarten up our systems in credit department operations and collections with a watchful eye on the expense manual.—J. A. Hendry, Secretary, Jas. A. Ogilvy's Ltd., Montreal, Canada.

★ ★ ★

No statement of the problems for 1949 can be complete without paying a tribute to the great good that has been accomplished by the establishment of merchant-owned credit bureaus in so many cities, through which the value of a good credit standing has been brought to the attention of the purchasing public. The consumer who buys on credit now realizes that it is he, and not the local credit association, that creates his own credit record. The problem in 1949 it seems, is the adjustment of our credit granting policies, and of our collection procedures, to the change in consumer habits, if it should appear that the peak of consumer income has been reached or passed. It may be that consumer buying will still continue at high levels for a number of years to come. There is ample economic basis for such a conclusion. Nevertheless, a little more prudence in credit granting and a little more emphasis upon prompt collections would not be out of order.—Jay Iglauer, Executive Vice-President, The Halle Bros. Co., Cleveland, Ohio.

★ ★ ★

The importance of consumer education, the slowing up of collections, and overbuying are important problems in our industry. We find an unusual type of overbuying with which other merchants would not have to contend: customers who have a good credit record buy an oil burner, and then are unable to meet our terms in the purchase of their oil. I assume, however, that this may be common to fuel merchants who sell oil burners and stokers.—Wm. M. Johnson, Treasurer, Converse-Carlisle Coal Co., Springfield, Mass.

★ ★ ★

It seems that business is gradually returning to normal. The ratio of credit sales is climbing and it may reasonably be anticipated that in the average store, credit sales will soon amount to sixty per cent or more of the total volume. Just as most stores are exercising greater care in purchasing and more caution in budgeting, so they should be more careful in extending credits than they have been during the past several years. We must, however, never forget that the credit department should be a valuable adjunct to selling and that intelligent risk is more to be desired than timid refusal.—Arthur L. Kramer, President, A. Harris & Co., Dallas, Texas.

★ ★ ★

Credit problems of a personal loan department of a bank are, in many ways, different from those of a retailer: and perhaps they are easier to solve because there is usually not the urgency to make an immediate decision that faces a retailer. However, the greatest problem that we face is that of overbuying and overborrowing. Too many organizations extend credit without giving consideration to the purchaser's or borrower's over-all liabilities, because the individual amount may be comparatively small. This often results in the accumulation of debts beyond the customer's ability to pay comfortably. Banks are usually watchful against this situation and it would be definitely to the advantage of the community if retailers paid more attention to it.—W. M. Langston, The Canadian Bank of Commerce, Toronto, Ont., Canada.

★ ★ ★

First, the slowing up of collections, and second, the importance of credit personnel training seem to be the most important credit problems confronting us in 1949. Having seen the collection percentage on 30-day accounts decline to as low a point as 28 to

Problem For 1949?

30 per cent during the depression, and to a high of over 60 per cent during the peak war period, and now on the decline again, I think it is imperative that all credit granters exercise effective collection procedures to maintain or improve present collection ratios. Second in importance is the training of credit personnel, and the following of correct credit procedures, which will prevent extraordinary credit problems from developing.—A. S. Marx, President, The Muller Co., Ltd., Lake Charles, La.

★ ★ ★

The chief problem the retail credit departments of the nation are going to have next year will be the effort of management, as business becomes harder to get, to compete in the way of credit. It cannot increase purchasing power except temporarily, and it results not only in credit losses, but in reduced business.—V. A. Newman, Vice-President, Woolf Brothers, Kansas City, Mo.

★ ★ ★

Three of the most important credit problems with which retailers will be confronted during the next year are, the importance of credit personnel training, and of consumer education; also the increase in number of bad checks. It will be necessary to guide credits during the next year and it is extremely important that the personnel of the credit departments be trained in such a way as to restrict the extension of credit without offending the customer. The consumer, however, should be educated to pay bills promptly. He should be made to realize that the extension of credit is a convenience, and a privilege not to be abused. We also feel that care should be exercised in the cashing of checks. There has been an increase in bad checks during the past several months, and also a noticeable increase in the number of checks returned because of insufficient funds.—Geo. C. Pechstein, Vice-President, T. S. Martin Company, Sioux City, Iowa.

★ ★ ★

The most important credit problems for 1949 are: 1. We would recommend schools of credit personnel training to be held throughout the nation. 2. New Regulation W is giving us opportunity to re-educate many credit patrons, especially those who are making purchases in floor coverings and appliances. Recently we have sent a series of two letters calling attention to our credit terms, to patrons who are "slow paying." The response has been excellent. 3. We have cause to be more careful in explaining to new credit customers the terms upon which they are being sold, namely, that accounts must be paid in full by the 10th of the second month following date of purchase. 4. Most of our credit customers are following a conservative buying plan; so that overbuying has not been of serious consequence. 5. We have had one recent incident of fraudulent buying, but we have not been troubled seriously in the matter of bad checks.—M. W. Schalk, Manager, The Jandrey Company, Neenah, Wis.

★ ★ ★

The important 1949 problem, from a credit standpoint, is one of watchfulness. By this we mean that the retail stores should be watchful of the new credit applications they receive, and particularly watchful of their collections. There will be many new applicants for credit during the coming year, some whose credit with other firms has been curtailed; some who have never had credit and now find that their spendable cash is exhausted periodically; and a third group who want credit, but due to their finances and earning capacity should not have it. As has been indicated, there is a slight slowing up of collections. The only improvement that can be made is a careful watching of accounts, to see that the payments are made when due and that individuals are not allowed credit beyond their present capacity to pay. We feel that it is particularly advantageous to add as many new charge accounts as we possibly can, for we then will be able to tie our customers closer to our store with a full knowledge of their demands, and in our direct promotions will be able to offer them the best the store has available.—Howard J. Seesel, President, Field-Schlick, Inc., St. Paul, Minn.

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The problems confronting the retail credit granter are principally those involving the definite change in conditions as we move into a more normal buying and selling of goods. For the past several years, owing to the war and its aftereffects, incomes were high and many people unconsciously built up a standard of living that they had never before enjoyed. These people will wish to hold to the higher standard, likely with less money, and some will try to keep the pace established in more lush times. Such an attitude will perhaps lead to requests for credit in amounts greater than they are able to handle satisfactorily. This, we think, is where the credit granter must be careful. Locally, we are happy to note that conditions are quite sound.—D. M. Shotwell, President, J. W. Knapp Co., Lansing, Mich.

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The most important retail problem confronting credit departments for 1949 is the proper handling of the customer who has a tendency to overbuy beyond his ability to pay. Some customers have been handling their accounts in a fairly prompt manner by augmenting their incomes with savings and war bonds. In many instances their reserve has been used, but they are now in the habit of buying better merchandise without giving thought to how and when it will be paid. To curtail this the credit department must revaluate each customer and work with him, endeavoring to sell him his needs on terms which he can handle promptly. Unless this is done the collection percentage is going to continue to go down at an accelerated rate and we will have far too many past due accounts, which will have to be closed against additional purchases.—Charles B. Simon, Vice-President, Ben Simon & Sons, Lincoln, Nebr.

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To consider the most important credit problem for the year immediately ahead, let us begin at the real starting point and work up to date. First, the owner or manager of a business of any magnitude should have an efficient credit department. The credit executive must not only be a good credit and collection manager, but he must be able to train his assistants to do a great part of the credit department work. He must be a good judge of human nature and, in these high pressure days, must be sales minded, but not to the extent that he will let sales run helter skelter into P & L accounts. The real credit problem for 1949 is the ability to get all the sales possible and then to follow up and get the money. Unless your credit department workers are all alert, we are going to have a greater number of bad debts in 1949 than we have had for years. So the one real problem for the credit manager is to get the money.—Howard Yeilding, Yeilding Bros. Co., Birmingham, Ala.

Opinions of Credit Executives

The personnel in most credit offices has been a trying problem. In Schenectady, we are starting a Retail Credit School following a text prepared expressly for the N. R. C. A. by Dr. Clyde Wm. Phelps, professor of economics of the University of Southern California. This course covers every important function in a credit office. Special training will be given in "Opening the Account." We are certain that if an account is properly opened the consumer will be credit educated. In many credit offices too little time is spent with the new customers. This school, we are sure, will be the answer to our office personnel problems.—Bessie E. Armstrong, The Wallace Co., Schenectady, N. Y.

★ ★ ★

In 1949 credit executives must find a method of increasing credit volume over past years and still maintaining a satisfactory collection ratio. We will have to promote credit to responsible individuals who are in a position to pay their obligations when due. —R. H. Bulte, Stix, Baer & Fuller, St. Louis, Mo.

Our major problem in 1949 will be customer education, not only from the point of view of collections, but also from the view of excessive returns and adjustments. The trend shows a definite increase in the percentage of business being done on a charge basis with a tendency toward overbuying. Credit men, individually and in organized groups, must educate customers to arrange credit on terms that they can meet; and we must all cooperate in establishing and maintaining rules to eliminate the problem of excessive returns and unfair adjustments.—F. G. Cimmerman, The Vogue, San Antonio, Texas.

★ ★ ★

How to maintain collections on a ratio comparable with that prevailing under wartime Regulation W, is the most important retail credit problem for 1949. Of equal importance and paralleling this problem, is that of training credit office personnel in the technique of extending credit during a peacetime era. If accounts are kept "open to buy" by prompt collections, and your credit office employees are able and willing to please, charge business during the year should be satisfactory.—C. G. Evans, The Halle Bros. Co., Cleveland, Ohio.

★ ★ ★

One of the most important problems in connection with credit and the credit granter, is the keeping of files reasonably up-to-date.—B. F. Flanagan, Sage-Allen Co., Hartford, Conn.

★ ★ ★

The most important retail credit problem confronting the credit granter today is that of making the necessary adjustment in the ratio between the consumer's income and his obligations. Many of the old measuring sticks are now obsolete and we face the need as never before for helping the credit seeker adjust his finances to fit the present scheme of things. Well-intentioned though he may be, the rapid changes which have taken place in our economy have often left the average individual without a sound base from which to carry on successful operations. The credit granter's place in our changed economy is no small one, controlling as he does the spending habits of so large a segment of the country's population.—Mrs. Thelma E. Greelis, The National City Bank of Troy, Troy, N. Y.

★ ★ ★

The job of maintaining collections on a good level will be the most important problem during the coming year. Credit executives throughout the nation are conscious of the recent trend of collections and are preparing themselves to successfully handle the situation.—H. C. Hendrix, Cohen Brothers, Jacksonville, Fla.

★ ★ ★

The credit granter now faces one of his major problems due to the fact that wages, generally, have been such that young people starting out in business were able to afford luxuries; whereas the present trend of cutting personnel might threaten their jobs, and curtail buying power. The credit granter will be the one who suffers. It was a sad day when Regulation W passed away.—Madeline Hermann, Illinois Central Railroad, Vicksburg, Miss.

★ ★ ★

As collections have become slower since the dropping of Government regulation pertaining to open charge accounts, it seems that for 1949 it is of high importance to renew the local educational campaigns for prompt payments, which lapsed during the war period. Our National Association has a group of well-produced advertisements which may be purchased inexpensively so all any local association need do is pay for the newspaper space. I recommend this as a continuous program beginning with 1949.—Henry W. Hoklas, The Young-Quinlan Co., Minneapolis, Minn.

★ ★ ★

The most important thing to a store extending credit is the training of their credit personnel. That seems to be the major problem. People that handle credits should be the best of salespeople, and should be able to influence others capably. A credit department should treat the customer in such a way as to encourage rather than discourage their visits to a credit department. Second in importance is consumer education: Educating people to the value of credit and how important credit can be to them.—A. O. Jenkins, Duval Jewelry Co., Jacksonville, Fla.

★ ★ ★

Credit Education is the most important problem confronting the credit granter in 1949. The average consumer does not realize what credit really means to himself and to his community. It would be another progressive step in credit control if we had some form of education in the public schools, to acquaint our future customers with the proper use of credit. Much time should be given every customer that applies for credit. As credit executives it is our job to see that each customer is properly instructed in the credit policy of our firm.—Bessie Kayser, Heider's, Salem, Ore.

★ ★ ★

Modernization is a direct credit problem; it affects many phases of any credit department. It assists in keeping a closer check on customer overbuying; it means a more effective collection procedure; simplified, clearer billing for customer understanding, faster charge slip authorization. It is, merely, a question of not hesitating to discard an outgrown, outmoded accounts receivable system for a new, faster, simpler system which eliminates many duplications of records used in the past. Just as a store keeps its merchandise up-to-date, so the office methods need rejuvenation.—Gertrude Lange, The O. J. deLendrecie Co., Fargo, N. D.

★ ★ ★

The 1949 retail credit problem on its way for an extended visit will be judging the worth of couples married within the past years of lush prosperity, who, due to economic changes, built obligations and now face the necessity of some family sacrifices. We must sell them the acceptance of a planned personal economy to manage their income in a manner to re-establish their credit on a current basis. Many young families, facing hardship for the first time, will be harassed by their financial problem, and lacking the experience and faith in what can be done through good management, will flounder around failing to realize that their action now molds their pattern for future years. Our problem is to recognize the highest possible percentage of these delinquent customers that are worthy of our confidence and extend them exceptional consideration in exchange for their performance of progressive possibilities. An honest spirit of teamwork will achieve mutual benefit, satisfaction, and many solid credit risks for the years to come.—W. E. Menzenwerth, St. Louis Dairy Co., St. Louis, Mo.

★ ★ ★

Selecting the right material for credit executives will be from now on an important step in the advancement of credit personnel training. The right approach in greeting and putting your customer at ease is an important factor. Training personnel to obtain a full and complete application without making it too mechanical, is desirable.—Rita Norris, Norris Plumbing Co., Bakersfield, Calif.

★ ★ ★

The most important problem for credit executives for the coming year will concern collections. I checked a number of accounts and learned that the majority of people are paying on account instead of in full. Naturally this will add to the problems of the credit department. Accounts will have to be carried longer and watched more carefully in order to avoid greater delinquencies. People with adequate incomes are beginning to use budget accounts more frequently. This is significant for credit managers. Alert authorizing personnel can do a great deal toward assisting credit managers in keeping accounts in balance.—Kenneth Oetzel, Boyd's, St. Louis, Mo.

★ ★ ★

With high prices, the largest inventories in our history, and the slowing down in demand for most consumer goods, our greatest challenge for 1949 is the maintenance of volume through credit sales promotion. We should be more "sales minded" than ever before, but at the same time keep our terms and collections consistent with a sound credit policy. —J. L. Sanford, Bishop-Parker Furniture Co., Montgomery, Ala.

★ ★ ★

There has been a considerable increase in the number of bad checks passed, often by professionals, in this area during the past twelve months. This may become more prevalent as our economy levels, and the need for a closer scrutiny of identifying material is in order. We therefore follow the practice of not accepting out-of-town checks for cash or "take-with" purchases, unless the individual can be personally identified. For checks drawn on local banks we require substantial identification and verify addresses in the directory. Because bad checks have not been a problem in the past few years, the credit department personnel of today is not experienced or properly trained to cope with the professional check worker. This situation must be remedied if losses from bad checks are to be minimized.—Clay T. Smith, Burkhardt's, Cincinnati, Ohio.

CREDIT FLASHES

Promotion for Royal H. Kanies

Royal H. Kanies has succeeded Stephan A. Bialecki as Manager of the Credit and Collection Department of the Milwaukee Gas Light Company, on November 1, 1948. Arthur B. Russell assumed the position of Assistant Manager vacated by Kanies. Entering the company in 1923 as a ledger clerk, Kanies has been active in the Credit Department since that time. He became well known in credit circles throughout the city while serving in the capacity of Assistant Manager in 1929. At present Vice-President of the Milwaukee Retail Credit Association, he will succeed to the presidency of that organization at the expiration of his present term. Russell started his credit career with the Milwaukee Gas Light Company in 1932, holding various responsible positions before becoming Assistant Manager.

Prompt-Pay Campaign in Richmond

The Retail Merchants Association of Richmond, Virginia, have planned a six months' campaign of advertising designed to educate consumers as to the importance of prompt payment of debts. The initial full page ad which appeared on November 30 in the *Richmond Times-Dispatch* utilized the Christmas-shopping theme, emphasizing the advantages of credit purchasing power. The ad pictured a smiling young mother, preparing to place gaily tied Christmas gifts beneath the tree for her children, and the caption expressed her gratitude for the good credit standing that had made such gifts available. The N. R. C. A. emblem, appeared above the name, The Retail Merchants Association of Richmond, Virginia.

Paul M. Millians Promoted

A. E. Duncan, Chairman of the Board of Commercial Credit Company, has announced that at a meeting of its Directors on December 30, 1948, Paul M. Millians was elected a Vice-President of Commercial Credit Company. Mr. Millians joined the American Credit Indemnity Company, a subsidiary of Commercial Credit Company, in 1938 as a member of its executive staff. In 1944 he was elected a Vice-President of Commercial Credit Corporation, another subsidiary of Commercial Credit Company, in which position he devoted considerable time to study of consumer credit requirements and of working capital and related problems of business. In addition to other duties he will continue such work as Vice-President of the parent company. An article by Mr. Millians appears on page 4 of this issue of The Credit World.

Fred R. Cox Promoted

Fred R. Cox, assistant credit manager of Gold & Company, Lincoln, Nebraska, became credit manager January 1, 1949, succeeding H. B. Smith who is now in charge of the firm's customer relations. Mr. Smith was credit manager of Gold & Company for 31 years. He is a past president of the Lincoln Retail Credit Association, and has attended many state, district, and national conventions. Mr. Cox has been with Gold's for 26 years, and has long been active in credit association activities. He is secretary-treasurer of District Six, National Retail Credit Association.

Coming District Meetings

District Two (New York and New Jersey) and District Twelve (Delaware, District of Columbia, Maryland, Pennsylvania, Virginia and West Virginia) will hold a joint annual meeting in the Hotel New Yorker, New York, N. Y., February 27, 28, and March 1, 1949.

District Three (Florida, Georgia, North Carolina and South Carolina) and District Four (Alabama, Louisiana, Mississippi and Tennessee) will hold a joint annual meeting in Nashville, Tenn., April 24, 25, 26 and 27, 1949.

District Five (Ohio, Michigan, Ontario, Canada, and Kentucky) and District Thirteen (Illinois, Indiana, and Wisconsin, except Superior) will hold a joint annual meeting at the Netherland Plaza Hotel, Cincinnati, Ohio, February 20, 21, 22 and 23, 1949.

District Six (Iowa, Minnesota, Nebraska, North Dakota, South Dakota, Superior, Wisconsin, and Manitoba, Canada) will hold its annual meeting at the Royal Alexandra Hotel, in Winnipeg, Manitoba, Canada, March 20, 21 and 22, 1949.

District Seven (Arkansas, Kansas, Missouri and Oklahoma) will hold its annual meeting at the Muehlebach Hotel, Kansas City, Mo., March 13, 14 and 15, 1949.

District Eight (Texas) will hold its annual meeting in Dallas, Texas, May 1, 2 and 3, 1949.

District Nine (Colorado, New Mexico, Utah and Wyoming) will hold its annual meeting at the Glenwood Springs Hotel, Glenwood Springs, Colo., April 10, 11, 12, 1949.

District Ten (Idaho, Montana, Oregon, Washington, Alaska, Alberta, Canada, British Columbia, Canada, and Saskatchewan, Canada) will hold its annual meeting at the Olympic Hotel, Seattle, Wash., May 14, 15, 16 and 17, 1949.

District Eleven (Arizona, California, Nevada and Hawaii) will hold its annual meeting in Bakersfield, Calif., April 25 and 26, 1949.

Robber Escapes on a Bicycle

Fred Staver, Credit Manager, Ball Stores, Muncie, Ind., was faced suddenly with an armed bandit on December 6, 1948, when he and William Jones, assistant store manager, were on their way to a bank to deposit approximately $29,000 receipts. The armed robber was assisted by a boy who grabbed the money bag, hopped onto a bicycle and escaped in the traffic of Muncie's main thoroughfare.

N. R. C. A. Book Publicized

K. Hartig, District Credit Manager, Goodyear Service Stores, Kansas City, Mo., has sent to all Goodyear Service Stores in his district an announcement to the effect that our Association has published an official handbook on *Important Steps in Retail Credit Operation,* by Dr. Clyde Wm. Phelps. In the announcement he stated, "This book is full of good material and only costs $1.50 and is full of value in training new employees."

Attention Bureau Managers

The 1949 Portfolio of "Pay Promptly" advertising was mailed to *all* Bureau Managers in December, 1948 and some copies did not reach their destination. Bureau Managers failing to receive the portfolio should write the National Retail Credit Association, 218 Shell Bldg., St. Louis 3, Mo., and a copy will be mailed at once.

A. B. Buckeridge Leaves New York Bureau

Arthur B. Buckeridge, better known to his many friends throughout the credit fraternity as "Buck," left the active management of the Credit Bureau of Greater New York, as of January 1, 1949. He had previously announced his resignation last August, to become effective not later than March 31, 1949. "Buck," who is recognized as one of the outstanding leaders in the field of credit and credit bureau management, had been manager of the New York Bureau since 1929, prior to which he managed the bureaus in Pittsburgh, Pa., Saginaw, and Port Huron, Mich. He is a past-president of the Associated Credit Bureaus of America, a charter member of the Credit Bureau Research Group program, and one of the most effective public relations men in the field. "Buck," whose official connection with the Credit Bureau does not terminate until March 31, has stated that he is taking a long vacation, after which he will announce his plans for the future.

Cottrell's, Denver, to be Streamlined

Cottrell's, one of Denver's oldest retail stores for men, is going to be streamlined. For they are planning an expansion program that includes a new building, new lines of merchandise, personnel changes, and even a newly designed signature plate. All this will become effective some time in the spring of 1950.

Meantime Joseph F. Little, attorney for the Cottrell estate, H. A. Rodecker, President of Cottrell's, and William E. Glass, Vice-President and Treasurer, are in charge of the $250,000 remodelling of a building at 16th and Welton avenues, which will in all probability house Cottrell's for the next half-century or longer. The store is to occupy two stories covering about four times as great an area as the previous building.

Nationally known merchandise will be sold, and some famous labels are to appear again at Cottrell's. New departments for shoes, and luggage are also being introduced; and a Ski Shop is being planned. The credit department is to be under the management of William E. Glass, Jr., who was formerly connected with Saks Fifth Avenue in New York.

Correction

In the January Credit World we stated that H. J. Burris, former President of the National Retail Credit Association was at one time connected with the Jones Store, Kansas City. We should have said that he recently retired as credit manager of John Taylor's of that city, after 17 years of service.

Position Wanted

Would like to purchase, organize, or manage small credit bureau on the Pacific Coast, size or location of the community open; or to purchase a substantial interest in a larger bureau. Background of over 35 years credit agency work in all its phases. Box 291, The Credit World.

CREDIT MUSTS

1. **Require a complete application containing the following:**
   - **A. Given name, middle initial and correct spelling of last name.**
   - **B. Full name of wife.**
   - **C. Number in family.**
   - **D. Last residence address and if resided there less than two years, the last previous address.**
   - **E. Whether owns home, boards or rents.**
   - **F. Name of employer. If more than one position held in the past three years, name of former employers covering that period of time.**
   - **G. Positions held and, if possible, the department in which applicant was employed.**
   - **H. Names and addresses of trade references, both open credit and instalment.**
   - **I. Bank references, and whether checking or savings account.**
   - **J. Name and address of one friend and one relative.**
2. **Obtain a full report from your credit bureau.**
3. **Be sure your credit terms and policies are understood by the customer.**
4. **Educate new customers to the importance of prompt payments. Follow such accounts in the early stages of delinquency.**
5. **Report to the credit bureau any account more than 90 days past due.**
6. **Permanently close accounts of chronic slow paying customers.**
7. **Do not permit the pyramiding of accounts. Observe credit limits, and if the customers are entitled to larger limits, increase them.**
8. **Deferred payment accounts should have the same intelligent handling:**
   - **A. Complete credit reports are essential.**
   - **B. Instalments should be followed in from three to five days following maturity.**
   - **C. Don't permit instalment customers to overbuy because they are to pay in monthly payments.**
   - **D. Follow customers for additional business, if payments have been met in a satisfactory manner and not more than three instalments remain unpaid.**
9. **Inactive charge accounts should be followed monthly and the reason for inactivity ascertained. This attention is appreciated and builds sales.**
10. **It is your responsibility to:**
    - **A. Increase credit sales.**
    - **B. Collect accounts promptly.**
    - **C. Build good will for your firm.**

Items of Interest
From the Nation's Capitol

HAROLD L. SCHILZ, *Counsel*
National Retail Credit Association
Washington, D. C.

THE PRESIDENT'S MESSAGE to Congress points to what may be expected from the Eighty-first Congress in the matter of a program for business, and the economic trends such a program will take. Prefacing his recommendations by pointing out that "we cannot maintain prosperity unless we have a fair distribution of opportunity and a widespread consumption of the products of our factories and farms," and calling attention to the fact that "we are suffering from excessively high prices," and that "our production is still not large enough to satisfy our demands," it seems unusually significant that the first of his eight recommendations was "to continue the power to control consumer credit and enlarge the power to control bank credit." The legislative recommendations in the message on the State of the Union were almost immediately followed by President Truman's Economic Report to the Congress suggesting among other things "temporary selective controls" to fulfill essential programs. The types of legislation proposed, and the hearings which will be had with respect to them concerning these economic programs, will be a matter of paramount interest to the membership of consumer credit trade associations and all those closely allied with their problems.

Senators Handling Economic Programs

Undoubtedly at least two members of the Senate will have much to do with these matters: the new head of the Senate Banking and Currency Committee, Senator Burnet R. Maybank of South Carolina, and Senator Estes Kefauver of Tennessee, who will be recalled for his friendship to proposed legislation to amend the bankruptcy act in such a manner as to enable the small creditor to work out his affairs with the least loss to consumer credit granters. In the House, Congressman Brent Spence of Kentucky heads its Banking Committee. Both he and Senator Maybank are reported to have said that their committees will need to wait at least a month to find out what is happening to the economy of the nation before trying to do something about current high prices. Senator Maybank, however, is also reported to have said that he favors immediate extension of credit control of the same type which has resulted in the higher down-payments now required on automobiles and many kinds of household goods and appliances. Another Congressman, Wright Patman of Texas (believed to be the probable Chairman of the new House Small Business Committee), has indicated active interest in these matters and is reported to be critical of curbs on instalment credit.

The report of Congressman Ploeser's Select Committee on Small Business of the House (Report No. 2465), on "Monopolistic and Unfair Trade Practices," will give fuel to those who initiate any program for strengthening or supplementing the Federal anti-trust laws, in keeping with the President's remarks along that line in his State of the Union message. In its recommendation for a special "Bipartisan and antitrust court," the report reminds us of the cycles through which this idea has passed from 1900 until now. In 1898 an Industrial Commission was authorized by Congress for the purpose of preparing Economic Studies and to develop a special court dealing with trade practice problems. That Commission came into being in 1900, and subsequently issued a 19-volume report analyzing the financial and commercial state of the nation. Subsequently a Bureau of Corporations was created, whose functions were taken over by the Federal Trade Commission in 1914, and it was generally thought at that time that the Federal Trade Commission would become a commerce court for industry.

The Commission confined its attention increasingly, however, to specific trade practice problems, and to the gathering and rendering of detailed studies such as its Chain Store reports, to Congress; and the idea lapsed until some discussion of it by the then head of the antitrust division, Col. Donovan, in 1926-1927. The next, and closest approach, was the National Recovery Administration of 1933-1935. In December, 1938, the Temporary National Economic Committee of Congress commenced extensive hearings, and a wealth of material on our national economy was gathered, embraced in 75 tomes. Its work was interrupted by the war.

Hearings of the Joint Committee

In a sense this has been brought up-to-date by the hearings of the Joint Committee on the Economic Report (so-called "Profit" hearings) whose work is completed and whose report will soon be issued. A former member of TNEC and strong proponent of vigorous antitrust action, Senator Joseph O'Mahoney, who is a leader in the present Congress, was a member and participant in the "Profit" hearings, and undoubtedly will be active in bringing to fruition some form of legislation as a result of such economic surveys.

In an article in next month's CREDIT WORLD, we will discuss the specific proposals in anti-trust and trade practice legislation that are currently being presented. ★★★

Reading this publication carefully and regularly will contribute to your success as a Credit Executive.

LOCAL ASSOCIATION Activities

Troy, Alabama

Officers and directors of the Troy Credit Reporting Bureau, Troy, Alabama, for 1949, are: President, Hamilton Jones, Hamilton Jones Food Store; Vice-President, Henry Ben Wood, Thrifty Stores; and Secretary-Treasurer, Joe Bob Reddoch, Farmers Marketing and Exchange Association. Directors are, Sigmund Rosenberg, Rosenberg Brothers Department Store; E. J. Arant, Brantley Brothers Hardware; J. J. Doty, Jitney Jungle; and A. L. Griffin, A. L. Griffin Jeweler.

New Orleans, Louisiana

At its annual meeting held on November 9, 1948, The Retail Credit Association of New Orleans, elected the following officers for the coming year: President, Emile J. Flautt, N. O. Public Service; First Vice-President, P. N. Gravois, Jr., Foundation Plan; Second Vice-President, A. J. Franz, A. M. & J. Solari, Ltd.; Secretary, Duke D. Dalferes, Gulf Refining Co.; and Treasurer, J. E. Zimmerman, Sears, Roebuck & Co. The new board of directors are: W. J. Anderson, Mayer Israel & Co.; Harris Copenhaver, N. O. Retailers' Credit Bureau; Ola Fayard, Maison Blanche Co.; Thomas C. Fischer, Progressive Bank & Trust Co.; Charles D. Bornwasser, Roosevelt Hotel; Albert E. Jane, National Bank of Commerce; Roland Ruiz, D. H. Holmes, Ltd.; Vernon E. Svendson, Leon Godchaux Clothing Co., Ltd.; and A. Konrad La Garde, La Garde Finance Co.

Schenectady, New York

The Retail Credit Association of Schenectady County, Schenectady, New York, has elected the following officers for 1949: President, William H. Millard, G. E. Van Vorst Co.; Secretary-Treasurer, Edward T. Sheehan, Domestic Finance Corp.; Assistant Secretary, Donald C. Kastensmith, Benche Inc.; and Vice-Presidents, Arthur K. Carmel, Industrial Bank of Schenectady; Carl W. Liss, Carl W. Liss Co.; Bernard J. Cohen, Imperial Cloak Co.; and Aeleen Horstman, Glenville Bank.

St. Louis, Missouri

At a recent meeting of the Associated Retail Credit Men of St. Louis, the following officers and directors were elected: President, Norbert Brosnan, Stix Baer & Fuller; Vice-President, I. Mayer, Famous-Barr; Treasurer, Kenneth Oetzel, Boyd's; and Secretary, A. J. Kruse, Credit Bureau. Directors are: I. Davis, Lane Bryant; Walter Menzenwerth, St. Louis Dairy Co.; Mrs. Llewelyn Saali, Swope Shoe Co.; Audrey O'Brien, Hellrung & Grimm; Jack Dorhauer, Industrial Bank of St. Louis; Joseph Holtzman, Kline's; Charles Burns, Union Electric Co.; Hugo Grimm, Gradwohl Jewelry Co.; Ben Thomas, Socony Vacuum Oil Co.; Sol Zeve, Union May Stern Co.; A. Sartorious, City Ice & Fuel Co.; Mildred Rood, Stix, Baer, and Fuller; and Charles Reno, Scruggs, Vandervoort, Barney.

Coquille, Oregon

The Retail Credit Association of Coquille, Coquille, Oregon, at their meeting held at the Coquille Hotel on December 13, 1948, elected as President, Donald Farr, Farr and Elwood; as Vice-President, Alex Kreick, Steinmetz Motors; and as Secretary-Treasurer, N. P. McDonald, Coquille Credit Bureau. The following directors were elected: Sig Peterson, First National Bank of Portland, Coquille Branch; Ellsworth Wilson, Riverside Builders Supply; P. A. Everett, Coos Bay Finance Co.; Fred Lorenz, Lorenz Department Store; Stan Sherwood, Burr Motors; and Elton Schroeder, Schroeders Furniture Store. It was agreed that the association will hold regular monthly meetings throughout 1949 and that an intensive membership drive and public relations program are to be carried out. Coquille, a city of only 3,500 population, has 64 members in the National Retail Credit Association.

Shelton, Washington

Officers and directors of the Retail Credit Association of Shelton, elected recently at Shelton, Washington, are as follows: President, Marvin Wingard, Lumbermen's Mercantile Co.; Vice-President, Joe Simpson, Lawton Lumber Co.; Treasurer, Dwight D. Morris, Morris Men's Wear; and Secretary, T. W. Whitworth, Credit Bureau. Directors are: Al Huerby, Huerby Motor Co.; Gay Taylor, Taylor Electric Co.; Vern Eaton, Eaton Body & Fender Works; Earl Moore, Western Supply Co.; and Harry Dittman, City Market.

CREDIT DEPARTMENT *Letters*

W. H. BUTTERFIELD

EVERY DAY the credit department mails letters granting and declining requests for charge accounts. While these messages are part of the daily routine, they offer an important opportunity to build good will for the firm, and they deserve expert attention.

Too often the replies to credit requests sound mechanical and indifferent. Many letters granting charge accounts carry no trace of friendliness and enthusiasm. Many letters declining credit requests are so heavily packed with negative words and implications that their recipients withdraw even their cash patronage from the store.

All this is *expensive* to any firm that permits it to happen. It illustrates a point emphasized often in these columns: *Poor customer relations by mail are far more costly than the expense of preparing effective letters.*

Granting the Request for a Charge Account*

Credit correspondence offers no finer opportunity to win consumer friendship than the letter granting a request for a charge account. When you write such a letter, every aspect of the situation is favorable to its success. (1) Reader interest is guaranteed by the fact that the customer himself made the request. (2) The information is sure to be favorably received by the reader. (3) The convenience of a charge account is a point opportune for emphasizing the customer's interest.

Despite these ideal circumstances, few credit correspondents do a really top-flight job in granting credit requests by mail. Often the tone of their letters is perfunctory. The following message, for example, contains no evidence of enthusiasm or interest in serving the customer well:

> Dear Mrs. Martin:
>
> As you have requested, a charge account in your name has been opened on our books, and is now ready for use.
>
> Statements are mailed at the end of each month, and are payable during the month following.
>
> Yours very truly,

To build strong consumer relations, always try to meet the customer more than halfway. When you grant a request for a charge account, extend a cordial welcome to your new credit patron. And stress the convenience of the account in a way that will make the reader want to use it immediately and often.

Illustrations 1* and *2 on the next page show how to build good will in granting credit requests. Both letters are enthusiastic and friendly; both utilize the "you" point of view to place their emphasis on the customer's interests.

*The commentary on granting credit requests is adapted from *Credit Letters That Win Friends,* by William H. Butterfield, by permission of the publishers and copyright proprietors, University of Oklahoma Press, Norman.

Declining the Request for a Charge Account**

One of the chronic "headaches" of credit correspondence is the letter declining a request for a charge account. Credit executives seem agreed that nobody has ever written the "perfect letter" handling this delicate situation. Probably nobody ever will!

Tactlessness in a letter declining credit often hurts the reader's feelings and injures his sense of pride. When this happens, the customer immediately translates his resentment into action by taking his cash patronage to another store. The net result: a careless, clumsy letter has lost the patronage and good will of a cash customer.

Here is a perfect example of how *not* to decline a credit application by mail:

> Dear Mrs. Smith:
>
> After careful consideration we find it necessary to reject your application for a charge account at this store. We regret that the circumstances permit no alternative.
>
> Following the usual custom, we have secured a credit report for our guidance in reaching a sound conclusion. The information in your case does not meet our minimum requirements; hence we are unable to comply with your wishes.

Though any letter declining credit is sure to disappoint its reader, such negative words as *reject, regret,* and *unable* only emphasize the disappointing news.

The purpose of the declination letter, of course, is to convey the necessary information and still hold the reader's good will and cash patronage. To succeed in this objective, the letter must contain just as little negative emphasis as possible, and *it must avoid any statement or implication that injures the reader's pride.*

Illustration 3 on the next page minimizes the declination (1) by presenting it briefly, and (2) by making it seem as impersonal as possible. The letter then concludes with an invitation for the reader to visit the store often and enjoy its many shopping conveniences. The cordial, sincere tone of this message does much to counteract the reader's disappointment over the information it conveys. And the usual negatives (*reject, decline, sorry, unable, regret,* etc.) are avoided entirely.

Illustration 4 presents an effective letter tentatively declining the request for credit. The message is courteous and cordial; it contains no words or implications that could possibly offend the reader. Yet it is worded in such a way that very few of its recipients would accept the invitation to call at the credit office. A number of credit executives prefer this type of letter to the outright declination. Whichever method you use, remember that a tactful letter will hold the good will and cash patronage of many whose credit requests cannot be granted. ★★★

**The commentary on declining credit requests is adapted from Mr. Butterfield's article, "Declining Credit Requests by Letter," The CREDIT WORLD, April, 1947.

(1)

Dear Mrs. Blank:

Thank you for requesting a (Name of Firm) charge account. We appreciate this expression of your friendship and confidence.

Your account is ready for use the next time you visit the store. We'll do our best to make it a genuine satisfaction to you in shopping here.

Statements are mailed the last of each month, and payment will be appreciated during the following month.

As a credit patron you will receive advance notice of our sales and other special events. You will also find your account a time-saver and a frequent convenience in ordering by telephone.

It's a real pleasure to welcome you as a charge customer. We hope for many opportunities to serve you through your account.

Sincerely yours,

(2)

Dear Mrs. Blank:

It is a real pleasure to welcome you as a charge customer. Your request for an account at (Firm Name) is appreciated, and every effort will be made to justify your confidence in us.

As a credit patron you can save time in shopping by simply saying "Charge it," with the convenience of paying your account during the month following that of purchase.

Please pay us a visit soon. We shall try to serve you so well that all your visits here will be enjoyable.

Sincerely yours,

(3)

Dear Mrs. Blank:

Thank you for your recent request for a charge account at (Name of Firm). Your confidence in this store is much appreciated.

Though we are not in a position to open the account just now, perhaps the situation later on will permit us to do so. We sincerely hope so.

Meanwhile, please visit us often and enjoy the many conveniences of shopping at (Name of Firm). Every effort will be made to serve you well, and we hope you'll give us frequent opportunities to do so.

Sincerely yours,

(4)

Dear Mrs. Blank:

Thank you for requesting a (Name of Firm) charge account. We appreciate this expression of your good will.

As you probably know, a routine credit investigation is the usual business procedure before new accounts are opened. Since the available information in support of your credit application is incomplete, we shall appreciate your assistance.

When you have a convenient moment, will you please call at the Credit Office on the second floor? No doubt you can furnish the background of information we need in order to give further consideration to your request.

It will be a pleasure to talk with you, and we shall welcome the opportunity to meet you personally.

Sincerely yours,

Collection Scoreboard

Compiled by the Research Division

December, 1948 . . . . December, 1947

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1948			1947			1948			1947			1948			1947			1948			1947		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Atlanta Ga	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore Md	44.8	51.2	38.7	46.9	50.3	42.3	24.2	33.1	18.0	30.7	49.0	20.4	44.9	46.3	43.9	46.8	47.5	45.1	48.9	49.0	48.8	48.9	50.9	46.2
Birmingham Ala	50.1	59.4	41.0	52.7	61.4	46.0	29.0	38.3	22.0	26.9	32.0	23.3	49.0	50.0	48.0	50.1	51.1	49.0	55.8	57.5	53.9	58.2	58.7	57.7
Boston Mass	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids Ia	—	59.0	—	65.0	65.5	64.6	—	34.0	—	—	26.4	—	—	85.5	—	—	88.3	—	78.9	80.8	77.0	85.0	92.7	77.4
Cincinnati Ohio	55.1	62.1	47.6	54.5	63.4	46.3	17.8	23.9	12.2	19.9	27.1	14.7	60.2	65.5	55.0	55.4	62.6	48.3	56.3	67.6	45.0	59.3	69.6	49.0
Cleveland Ohio	52.0	52.9	47.4	50.5	52.2	50.1	28.1	28.4	23.5	30.9	32.1	29.4	—	—	—	—	48.2	—	68.5	93.3	43.8	75.7	109.6	41.8
Columbus Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport Ia	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver Colo	50.3	56.6	43.2	52.4	63.2	48.8	24.5	34.6	22.2	29.7	29.9	24.9	48.9	52.5	43.2	54.5	60.2	48.9	—	—	—	—	—	—
Des Moines Ia	—	55.1	—	60.4	62.1	59.7	—	—	—	—	28.2	—	56.2	62.2	53.1	54.3	62.3	43.3	58.6	55.0	64.2	69.3	74.7	63.9
Detroit Mich	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids Mich	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City Mo	58.2	63.2	54.8	59.9	72.6	59.0	20.3	31.0	18.5	21.9	27.3	18.2	64.0	71.1	54.2	66.0	78.9	55.0	64.0	71.1	54.2	66.0	78.9	55.0
Little Rock Ark	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles Calif	53.2	63.8	49.0	55.3	60.1	46.4	21.1	25.5	15.9	—	—	—	56.1	61.4	50.7	54.1	59.4	48.8	62.4	63.1	59.1	66.5	74.1	58.0
Louisville Ky	46.9	50.0	43.8	50.4	54.9	45.1	17.6	22.4	12.1	20.4	28.7	13.7	43.6	50.9	33.5	43.0	44.0	42.0	55.1	62.2	47.8	59.5	67.2	51.8
Lynn Mass	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee Wis	56.2	65.1	50.9	56.4	65.6	53.6	23.1	24.3	22.7	26.2	26.5	25.7	58.8	59.0	51.5	54.0	56.8	42.5	62.6	80.0	49.0	53.8	70.0	42.0
Minneapolis Minn	61.2	67.0	56.5	64.7	72.0	60.6	30.4	40.5	24.0	36.2	42.7	30.9	63.6	67.3	59.9	61.3	64.7	58.0	58.3	71.3	48.4	62.4	75.9	52.6
New Orleans La	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York N Y	48.6	63.2	38.0	48.0	70.5	32.7	20.0	32.1	17.2	23.0	30.2	19.0	48.7	51.4	46.1	49.2	51.0	47.5	—	60.8	—	47.5	55.0	40.0
Oakland Calif	58.0	61.9	49.4	59.2	65.4	53.3	20.5	25.9	18.6	25.8	40.7	22.6	—	—	—	46.4	56.3	36.2	53.1	65.5	40.0	56.2	68.4	40.0
Omaha Neb	64.5	75.6	53.5	69.6	84.5	54.7	17.9	23.5	12.3	26.7	38.6	14.8	56.7	67.2	46.1	—	43.9	—	57.3	61.1	53.5	—	67.7	—
Pittsburgh Pa	64.0	70.8	57.2	68.8	87.1	50.5	21.7	22.2	21.2	26.7	29.7	23.7	—	—	—	—	—	—	—	—	—	—	—	—
Providence R I	—	—	—	51.4	58.0	49.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St Louis Mo	55.4	58.8	52.2	57.5	59.1	56.6	25.4	30.2	20.7	29.6	37.4	21.7	48.7	56.8	41.9	47.0	51.0	43.1	59.0	59.2	52.0	57.1	59.9	55.8
Salt Lake City Utah	68.3	76.1	61.2	74.1	82.2	69.3	32.2	38.2	26.7	34.2	37.1	32.1	—	—	—	—	—	—	65.4	66.0	64.9	66.0	71.3	60.8
San Francisco Calif	52.8	64.4	39.5	50.7	64.9	47.3	32.9	37.2	24.1	34.8	43.0	29.9	42.3	49.3	40.0	41.5	48.3	38.4	54.9	58.2	51.8	57.7	56.9	49.5
Santa Barbara Calif	61.5	68.1	54.2	62.6	75.7	52.4	—	—	—	—	—	—	59.9	67.4	47.5	61.4	68.8	51.5	67.2	70.0	63.6	66.7	78.0	62.1
Sioux City Ia	63.8	64.5	63.1	64.1	71.6	56.6	30.1	33.9	26.4	40.1	53.8	26.4	58.5	70.0	47.0	67.0	76.0	58.0	69.5	81.0	58.0	80.2	82.8	77.7
Spokane Wash	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield Mass	—	—	—	61.1	65.9	56.2	—	—	—	25.5	29.8	21.1	—	—	—	—	—	—	—	—	—	—	64.1	—
Toledo Ohio	50.5	53.1	44.9	52.1	52.2	48.7	19.1	27.9	14.1	23.0	35.2	15.1	53.9	62.7	45.1	49.7	53.5	45.8	—	48.2	—	50.3	53.0	45.8
Tulsa Okla	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington D C	43.3	47.8	39.6	45.4	51.4	41.6	20.2	84.7	17.2	22.4	26.2	18.1	—	—	—	—	—	—	—	—	—	—	—	—
Worcester Mass	50.5	55.6	46.4	50.4	59.5	46.8	30.3	36.7	28.3	30.3	43.4	29.8	53.3	56.7	50.0	53.6	55.5	51.8	—	—	—	—	—	—
Youngstown Ohio	—	50.6	—	60.3	67.0	53.6	—	24.3	—	33.9	38.0	29.8	—	—	—	—	—	—	74.8	78.4	71.2	68.9	70.5	67.4
Ottawa Ont	51.7	69.0	32.1	46.4	51.6	45.1	18.5	59.2	14.9	19.3	60.0	16.8	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver B C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria B C	56.1	58.2	54.1	63.3	63.6	63.1	30.0	31.8	28.2	30.7	31.3	30.1	—	—	—	—	—	—	—	—	—	—	—	2-49

INSTALMENT ACCOUNTS outstanding at department stores increased somewhat less than is customary in November, but were 44 per cent above the high level of a year earlier. Collections on instalment accounts showed a small gain during the month, and the collection ratio was 24 per cent for the third successive month. At this collection rate instalment accounts are repaid in about seven months. Charge accounts receivable also showed a smaller rise than is expected in November, but were 8 per cent larger than a year ago. Collections on charge accounts rose substantially, and the ratio of collections to accounts receivable on the first of the month increased further to 55 per cent. In November charge accounts were outstanding, on the average, approximately 55 days. Both cash and credit sales showed less than the usual seasonal gain from October to November. Cash sales, which again accounted for 51 per cent of total sales, were 4 per cent below the year-ago level. For the first time in over three years instalment sales dropped below the volume of a year earlier. Charge-account sales, however, were 4 per cent larger than in November, 1947.—Federal Reserve Board.

Monthly CREDIT STATISTICS

TOTAL CONSUMER CREDIT outstanding increased 217 million dollars in November to an estimated total of 15,319 million. Nearly all of the gain occurred in instalment credit and in charge-account indebtedness. On November 30 the total amount outstanding was more than one-fifth larger than on the corresponding date of 1947. Instalment credit rose by 100 million dollars or more than 1 per cent during November. The greater part of the increase was in the sale credit segment. Instalment credit arising from the sale of automobiles was 2 per cent above the amount outstanding at the end of October. A similar rate of expansion was noted in other sale credit. Total instalment sale credit outstanding continued at more than one and one-half times that of a year earlier. Instalment loans showed a slight gain, 20 million dollars, which brought the total to 4,024 million, roughly one-fourth larger than the amount outstanding on November 30 last year.

Ratio of Collections to Accounts Receivable[1]

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1944					
December	36	23	39	49	61
1945					
December	36	24	48	46	61
1946					
December	35	26	47	44	54
1947					
January	29	23	47	26	52
June	28	23	46	24	54
December	29	20	39	31	54
1948					
January	24	18	36	19	53
February	23	17	32	18	49
March	27	19	35	20	53
April	25	19	33	20	52
May	24	19	34	20	52
June	24	20	33	20	52
July	23	18	34	19	51
August	23	18	33	19	51
September	24	17	32	19	53
October	24	18	31	19	54
November	24	18	31	21	55

[1]Ratio of collections during month to accounts receivable at beginning of month.

CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTOMOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1944						
June	515	138	237	15	44	81
1945						
June	532	151	237	11	49	84
1946						
June	699	210	299	17	63	110
1947						
January	985	337	352	27	114	155
June	1,155	423	395	36	119	182
December	1,688	650	528	52	192	266
1948						
January	1,616	632	502	52	176	254
February	1,581	624	492	52	164	249
March	1,619	653	497	54	160	255
April	1,669	680	511	60	155	263
May	1,722	703	528	65	155	271
June	1,764	720	541	68	157	278
July	1,791	732	545	72	160	282
August	1,844	759	560	76	158	291
September	1,916	786	586	81	161	302
October	1,924	797	583	81	160	303
November	1,957	810	588	82	169	308

DEPARTMENT STORE SALES BY TYPE

(Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1944—December	64	4	32
1945—December	64	4	32
1946—December	57	5	38
1947—December	57	6	37
June	55	6	39
December	54	7	39
1948—January	54	7	39
February	53	7	40
March	52	7	41
April	51	8	41
May	52	7	41
June	52	7	41
July	54	8	38
August	52	9	39
September	50	8	42
October	51	7	42
November	51	7	42

TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE-PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1944									
June	5,168	1,840	706	192	514	1,134	1,242	1,370	716
1945									
June	5,697	1,987	719	188	531	1,268	1,420	1,544	746
1946									
June	7,762	2,908	1,035	366	699	1,873	1,697	2,327	830
1947									
January	9,783	4,061	1,566	581	985	2,495	2,089	2,764	869
June	10,992	4,918	2,035	880	1,155	2,883	2,271	2,887	916
December	13,385	6,156	2,839	1,151	1,688	3,317	2,697	3,612	920
1948									
January	13,058	6,186	2,818	1,202	1,616	3,368	2,708	3,240	924
February	12,945	6,249	2,835	1,254	1,581	3,414	2,701	3,067	928
March	13,391	6,498	2,986	1,367	1,619	3,512	2,686	3,281	926
April	13,627	6,769	3,137	1,468	1,669	3,632	2,665	3,259	934
May	13,814	6,958	3,258	1,536	1,722	3,700	2,661	3,263	932
June	14,132	7,144	3,366	1,602	1,764	3,778	2,679	3,364	945
July	14,170	7,329	3,480	1,689	1,791	3,849	2,699	3,185	957
August	14,476	7,532	3,625	1,781	1,844	3,907	2,847	3,130	967
September	14,815	7,774	3,774	1,858	1,916	4,000	2,855	3,227	959
October	15,102	7,817	3,813	1,889	1,924	4,004	2,873	3,457	955
November	15,319	7,917	3,893	1,936	1,957	4,024	2,887	3,557	958

Granting Credit in Canada

C. B. FLEMINGTON . . Canadian Correspondent

Importance of Credit to the Retailer

G. DON SMITH, A.C.I., *Manager,* Credit Bureau of Montreal Ltd., Montreal, Quebec, Canada

EVERY RETAILER throughout the Dominion has become aware of the increasing part which credit sales now play in his store's operations. Because until recently, the demand for credit accommodation has not been the important factor in selling that it was before the war. We remember how merchants in the thirties reached a point of active competition in credit terms themselves, apart from actual merchandise values.

In October, 1941, the Federal Government took steps to control credit selling with the thought in mind that removal of deferred payment facilities would cut down on personal spending, civilian spending, and thus assist the war effort in the purchase of war bonds and the concentration of effort on the production of more essential war material. These restrictions which set a high down payment and a limited time to repay proved a boon to the retail trade if only for the reason that the abuses of competition in credit terms were eliminated. Therefore, during the war and up to the time that the Federal Government released its control on December 31, 1945, merchants enjoyed a comparative freedom from the problems of the credit sale.

Credit Controls Returned to Provinces

At the date mentioned the War Time Prices and Trade Board returned the prerogative of such control to the Provinces where it normally belongs, and they in turn, in various ways, introduced certain reforms into their existing legislation. In Quebec a completely new law was placed on the statutes, which in the main has been heartily approved by retailers in general.

For those who are not familiar with the Quebec legislation, the minimum down payment is set at 15 per cent and the repayment period is fixed in relation to the amount of the sale remaining after deduction of the down payment. The compulsory addition of a carrying charge, which, in the minds of most credit authorities is considered the greatest step forward in retail credit practice, is also provided for.

To the extent that competition in terms has now been eliminated, the merchant is a happier man; he may now concentrate on the other fundamentals of granting credit. Paramount in these fundamentals is the selection of the credit risk.

While most retailers are expert salesmen they are not necessarily good credit managers; in fact, the two classifications require altogether different psychologies. A good credit manager can often acquire a helpful sales technique, but seldom does the expert salesman ever become sufficiently treasury-minded to make a really good job of credit passing.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

This does not mean to convey that the retailer lacks his fair quota of "native sense." Generally speaking, it might be said that few businesses require as much know-how and true business ability as the established retailer. However, in this sphere of credit granting he should take advantage of the advice of experts. No one better than he knows to what a great extent specialization plays in today's retailing.

In the Credit Bureaus of Canada, and there are seventy of them in the largest trading centres across the Dominion, may be found an ever increasing catalogue of the pay habits of the adult population of the country. Every one of these bureaus is the central pool of consumer credit information in the urban and rural area which it supervises. The files of this vast association number close to 3,000,000, listing the names, addresses, occupations, incomes and what is most important, how they pay their accounts.

Day by day these busy offices are accumulating from their merchant members additional items of financial interest. The bad debts of their members are added to the records so that any merchant subscribing to the central pool may know the losses of friends in the trade. Legal actions are posted to every file, and in every way possible information is assembled that will assist the merchant to evaluate the credit risk with greater accuracy. The days of judging a prospective credit account by hunches are as outmoded as keeping inventory on the back of an envelope.

High Development in Credit Practice

There has been a tendency on the part of the retailer to overlook this high development in credit practice, possibly out of the inherent wish to save cash outlay. The saving of even one sale to a poor credit risk will pay a retailer's bureau bills for months and even years; yet many of the smaller operators are still poorly informed on this highly important factor in their business.

An example of the high state of development of credit centralization may be found in the Credit Bureau of Montreal. In that city nine of the largest stores are connected to the Credit Bureau by teletype machines, where the supply of information on prospective credit sales is as fast as modern science can achieve it. Enquires to and from the bureau as to how customers pay their bills are transmitted every minute of the day, with a speed that is fascinating. A telephone switchboard receives and answers calls from other member stores with equal dispatch. Other large Canadian Bureaus make use of speedy Telautographs, which transmit a handwritten message from the store to the bureau in-

"Identification"

(*Beginning on Page 8*)

Nothing is more important to the intelligent processing of a credit application than having all of the facts clearly stated. Whether it be simply the name and address, or a complete application, the completeness of the name and address, with all the identifying details, gets the application off to a good start. It is the prime requisite of interviewing.

Methods of File Sorting

Files may be sorted alphabetically, phonetically, by street number, or by any other designated grouping, but regardless of the system used by your organization or by the credit bureau, the complete and correct name and address will always show up in the same place in every file.

It may seem ridiculous to try to draw a comparison between the credit interview and coffee. Coffee is graded and marked by coffee experts who are chosen for this task because of their long experience and skill in this line of work. In the same way, the trained interviewer should in some manner code the credit application. This should be a statement, or summary of the impression which the applicant made upon him. This opinion is not necessarily final, but it is helpful in the appraisal of the credit risk, and may be the deciding factor in a particularly doubtful case.

If you use a coffee percolator or any of the modern methods of making coffee, you know that there is a filter which contains the coffee. The water, as it is heated, passes over a filter so that the good comes out of the coffee and the valueless part, or grounds, may be disposed of. And so in every credit department there should be a filtering of credit applications, through which process the better ones may be selected, and with a minimum amount of bureau service, authorized for immediate use.

Amount of Checking Necessary

This filtering process should determine the amount of bureau service and checking necessary to bring the application into an active buying account. The same treatment cannot be given to each application, for each must be scrutinized and the various factors evaluated; none of which is all important individually, but as a whole determines the time and money which must be spent in establishing the worthiness of the application.

In some instances it may only be necessary to check the bureau files; in others, it may be profitable to spend considerable time and money to build a complete credit report. In any event, the name and address constitute the basic factor of the application and should receive primary attention to assure a correct beginning. ★★★

"Law of Libel"

(*Beginning on Page 12*)

legal. A collection company is not given directions by the retailer as to how it should proceed. So that under normal circumstances the collection company using libellous matter to collect a debt would be the only party liable to the debtor. However, the retailer is not relieved of all liability in all cases. If, for example, he sends the name of the wrong man to the collection company or if he expressly authorizes the use of too strong language, he is going to be held responsible. Even if the contract between the collection company and the retailer does not provide for such control or direction of the collection process, if, in fact, the retailer directs a libellous act, he will be personally liable. Actions speak louder than words.

With such indefinite risks present it can be realized that some practices into which men in the credit field have fallen as a matter of routine are not worth continuing. At least it can be seen that they are worth re-examining from time to time.

For obvious reasons I have refrained from giving definite instructions but I have endeavored to make clear that credit men have adopted certain practices that might well lead to litigation and liability. Clearly, all forms and practices used by credit men should be re-examined in the light of the possibility of unnecessary and unpleasant legal difficulties and, of course, counsel should be consulted as to particular practices. ★★★

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stantaneously. A most interesting additional feature of the Montreal Bureau is the centralization of Charga-Plate, the name and address identification which makes charge account shopping so much easier for customer and store alike.

The seventy Canadian Bureaus are amalgamated into the Associated Credit Bureaus of Canada, and in turn they are actively affiliated with over 1,400 bureaus in the Associated Credit Bureaus of America. Standards of efficiency all over the country are supervised by paid officials. Co-operation between the various offices is assured by standardized reporting procedure everywhere, so that credit reports can be quickly secured, continent wide, with speed and accuracy.

Practically all Credit Bureaus maintain Collection Service geared especially to the needs of the retailer. Through the close affiliation of the member bureaus in Canada and the United States, a debtor may be followed quite easily from point to point. Every manager is a man qualified in Credit and Collection practice. His experience is available to all merchants in his vicinity. He is a specialist in the selection of the credit risk and highly skilled in the recovery of past-due accounts. He can help set up a credit department. He can advise on credit sales promotion. He is already serving thousands of retailers across Canada and a chat with him would undoubtedly prove to be one of the best investments ever made. ★★★

• *The New Year Starts With Small Gains Over Last Year* •

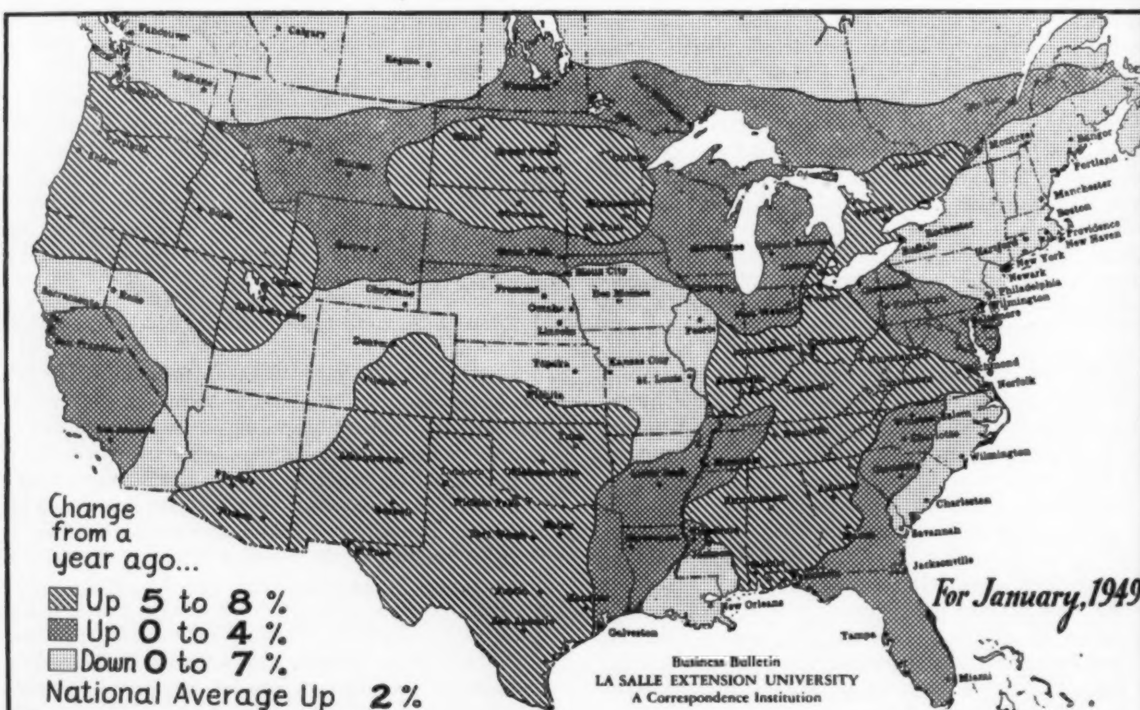
ALTHOUGH BUSINESS ACTIVITY remains at a high level, very close to the postwar peak, the increase in the general average over the preceding year is smaller than at any other time in the long ten-year period since the upward trend started. Volume of business as measured by financial transactions is about 2 per cent higher than it was a year ago, and the number of lines in which activity is lagging are about as numerous as those in which it is being maintained at a steady level, or rising. Business and industry show slightly less vigor than they have for a long time, but current indications do not point to any marked downward trend. Relative stability at a high level is likely to be the predominant characteristic during at least the first part of the year and possibly longer.

THE VARIATIONS in business conditions among different parts of the country have changed but little in recent months. The LaSalle Map shows that the greatest gains over last year have been made in the Southwest, parts of the South, and sections of the Pacific Northwest. In much of the industrial area around the Great Lakes, activity is higher than last year by very small percentages and in a few places it is slightly lower. These scattered localities in which production and employment have recently declined do not represent widespread areas that can be represented on the Map. Most significant is the fact that over the industrial areas, especially those in which the production of durable goods and machinery are the major items, activity is holding up well.

BUSINESS CONTINUES to be somewhat spotty along the Atlantic Coast, especially in New England and around New York City. The interruption in foreign shipments has been one factor which kept business activity from rising in several cities. Some signs point toward improvement in trade as well as in the output of a number of industries which will help to maintain the current level rather than make likely any marked advance. Activity in the South and Southeast is about the same as the national average.

BUSINESS IS ALSO lagging in many sections of the Middle West, in spite of the fact that crops have been very good. Prices of farm products have been declining and farm income is falling off from the high peak which was reached some time ago. These factors have been responsible for this slowing down in the rate of production and the volume of sales to consumers. The current trend represents a falling off from a very high peak rather than poor conditions.

BUSINESS IN CANADA has been following somewhat the same trends as in the United States with the general average about the same as it was a year ago. The most favorable areas are the industrial and agricultural region north of the Great Lakes but in some of the agricultural sections trade is almost as good. Activity along both coasts is slightly less than the national average. Some forms of mining have been slowing down in spite of special efforts to stimulate production. Large consumer demand is helping to keep the volume of trade and industry at a high level.—BUSINESS BULLETIN, La Salle Extension University, Chicago, Ill.



In The NEWS

THE RELATIONSHIP between the demand for furniture and the recent revival of consumer credit controls has been scrutinized. A careful study of this relationship indicates that the demand for furniture should remain firm despite the reimposition of Regulation W. The revival of this regulation should discourage furniture retailers and others from using easy consumer credit as a competitive instrument. This means that retailers probably will have to increase some other services to consumers in order to meet competition.

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THE CENSUS BUREAU reported that there were 37,300,000 families in the United States in April, 1948. The average sized family had 3.6 persons. Forty-eight per cent of the families had no children under 18 living with them. The bureau said the families included 34,300,000 married couples. In about 5,000,000 cases, roughly 14 of 100, either the husband or wife had been married more than once.

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THE CREDIT OUTLOOK is tied to the national budget. The budget, in turn, is a combination of political necessities and the demands of the Marshall plan and the armament programs. An unbalanced budget will bring Administration demands of Congress for more credit control powers. The President now has before him the data requested from the several Cabinet officials and the heads of the many agencies. This material will include proposals for legislation. The White House will determine which of the programs will carry the Adminstration's blessings.

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TWELVE HOURS OF WORK in 1948, compared with thirty hours in 1914, will purchase the week's food for the average wage earner's family, according to a study which has just been completed by the National Industrial Conference Board.

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THERE WERE SLIGHT changes in instalment loan balances during November at the various cash-lending agencies, resulting in an over-all gain of 4 million dollars. The total amount outstanding at the month-end, 3,137 million, was about 23 per cent greater than on November 30 last year. The volume of loans made during November, 468 million, exceeded that of the preceding month by nearly 8 per cent and was slightly higher than the November total last year.

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INSTALMENT ACCOUNTS RECEIVABLE in furniture stores rose slightly in November, and were 30 per cent larger than on the corresponding date last year. Collections on instalment accounts in November were somewhat smaller than a month earlier, and the collection ratio continued at 18 per cent. Little change has occurred in the rate of repayment for instalment accounts since mid-1948, the average liquidation period approximating ten months. Inventories were up slightly in November and were 15 per cent above the level of a year earlier. At the end of the month stocks on hand amounted to approximately four and one-half months' supply at the current rate of sale.

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ON THE BASIS OF CURRENT TRENDS, Investors Syndicate predicts that food, clothing and miscellaneous costs are likely to dip in 1949, while rents will probably increase. Salaries and wages will remain high, but total payrolls may fall off because of "soft spots" appearing in some lines, particularly soft goods. "The general outlook," said E. E. Crabb, president of Investors Syndicate, a leading distributor of investment certificates, "is good. Business activity continues to be generally high and consumer demand and purchasing power are both active. It looks like 1949 will be another good year."

CHARGE ACCOUNT SALES IN CANADA accounted for 18 per cent of all sales in 10 retail trade classifications in 1941; for the first half of this year the proportion was 25 per cent, the figure reached in 1945 when the war ended.

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REGULATION W of the Federal Reserve Board will create a boom in the sale of electrical appliances, PRACTICAL BUILDER, Chicago magazine, predicted recently. The boom will come in the form of sales under "package mortgages" wherein home buyers' mortgages will include a refrigerator, dish washer, range, garbage disposal and other household and labor-saving equipment. Kitchen equipment, currently financed with payments of at least $70 a month, can be purchased under the "package mortgage" plan for as little as $7 a month.

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INSTALMENT ACCOUNTS OUTSTANDING at furniture and jewelry stores showed smaller increases than are customary in November, while those for household appliance stores were unchanged at the October level. The three kinds of outlet continued to report gains over a year earlier, but at somewhat slower rates than in other recent months.

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THE NOVEMBER COLLECTION RATIOS on instalment accounts of both furniture and household appliance stores were unchanged from those of the preceding month, 18 per cent and 31 per cent, respectively. The collection ratio at jewelry stores, which had been maintained at 19 per cent for eight consecutive months, rose two points to 21 per cent.

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HUNDREDS OF BUSINESS ORGANIZATIONS in New York City today would be in the process of liquidation or going through bankruptcy proceedings were it not for their creditors. These companies which have found themselves in temporary difficulties are solvent, but unable to meet their obligations promptly largely because of over-extension in high cost inventories. They are now being helped over the rough spots through the understanding co-operation of credit executives of the firms to whom they are in debt.

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CERTAIN INDUSTRIES are laying off help and starting to feel the pinch of the inflationary squeeze. No matter how small the decline in business volume may be in any particular industry, it highlights the trend toward "red" figures in the balance sheet, for costs do not decline in the same ratio as turnover.

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OF EVERY 100 NEW ESTABLISHMENTS that start out this year, 50 will fail by 1952. Only half will survive the first two years. By 1955, five years from now, only one-third of the original hundred will still be in business, according to a statement made by N. W. Ayer & Son, Inc.

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THE SHARP DECLINE in life insurance sales is indicative of the effect that the rising cost of living is having on both the white collar and the industrial worker according to insurance men. Sales recently were down to $1.6 billion, 9 per cent below October, 1947 volume.

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AMERICANS STARTED 1949 with less money on the average than they had before, as most Christmas shoppers and New Year's Eve celebrants know. The Treasury reported that the amount of money in circulation January 1 was $28,223,592,164 or an average of $190.80 per person, compared with $191.79 a month earlier, and $198.49 a year before.

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INSTALMENT SALES accounted for 21.7 per cent of all sales in Canada in 1941; 13.8 per cent for the first half of 1948.

Editorial COMMENT

It Is Important!

NOW, more than at any time in the past seven years, it is important that applicants for credit be checked through your credit bureau.

Replies to the most important retail credit problem for 1949 indicate concern over the slowing up in collections and the tendency on the part of customers to overbuy.

Judgment should be exercised in taking the application and it should contain the following essential information:

1. Given name of applicant and, if married, the given name of husband or wife.
2. Address.
3. Whether owns home or rents.
4. Where employed and for how long.
5. Banking connection and whether checking or savings account.
6. Parent's name and address, if single or a young married couple.
7. Trade references.

During the interview if it develops that the customer has installment accounts make an effort to ascertain the total unpaid indebtedness.

If the information outlined above is furnished the credit bureau, it will be possible to check the credit risk promptly. This will permit the completion of the transaction in a reasonably short time, which is so necessary in promoting good will.

Make it a practice in 1949 to:

1. Take an intelligent application.
2. Check all applications through your credit bureau.
3. Follow past-due open accounts at frequent intervals, starting in the early stages of delinquency.
4. Follow installment accounts within five days after payment is due.

This procedure will improve collections and keep credit losses to a minimum. It will contribute to a more successful and profitable credit operation.

L S Crowder

General Manager-Treasurer

THE EMBLEM OF NATIONAL RETAIL CREDIT ASSOCIATION FOUNDED 1912 SOUND CREDIT